

CFTC Ex. 542

Long Leaf Trading Group

Stemper, Alexander 2021-02-11

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Condensed Transcript

Prepared by:

Ashley Burden
CFTC

Friday, November 5, 2021

<p style="text-align: right;">Page 1</p> <p>1 IN THE UNITED STATES DISTRICT COURT NORTHERN DISTRICT OF ILLINOIS 2 EASTERN DIVISION 3 COMMODITY FUTURES TRADING) COMMISSION,) 4) Plaintiff,) 5) vs.) No. 20 C 3578 6) LONG LEAF TRADING GROUP,) 7 INC., et al.,)) 8 Defendants.) 9 10 11 The remote video deposition of 12 ALEXANDER STEMPER, called by the Plaintiff for 13 examination, pursuant to subpoena and pursuant to 14 the Federal Rules of Civil Procedure for the United 15 States District Courts pertaining to the taking of 16 depositions, taken before Mary Maslowski, Certified 17 Shorthand Reporter and Notary Public within and 18 for the County of Cook and State of Illinois with 19 the witness located at 200 South Wacker Drive, 20 Chicago, Illinois, commencing at the hour of 21 9:04 o'clock on February 11, 2021. 22 23 24</p>	<p style="text-align: right;">Page 3</p> <p>1 INDEX 2 WITNESS DX CX_RDX RCX 3 ALEXANDER STEMPER 4 By Mr. Platt 6 5 By Mr. Ruth 268 6 7 EXHIBITS 8 CFTC EXHIBIT MARKED FOR ID 9 No. 266 1 No. 267 16 10 No. 268 18 No. 269 32 11 No. 270 34 No. 271 42 12 No. 272 44 No. 273 49 13 No. 274 56 No. 275 65 14 No. 276 80 No. 278 90 15 No. 279 99 No. 280 103 16 No. 281 107 No. 282 112 17 No. 283 117 No. 284 119 18 No. 285 140 No. 286 145 19 No. 287 159 No. 288 185 20 No. 289 195 No. 290 203 21 22 23 24</p>
<p style="text-align: right;">Page 2</p> <p>1 APPEARANCES: 2 (Appearing via videoconference) 3 MR. JOSEPH C. PLATT, Trial Attorney MS. ELIZABETH M. STREIT, Trial Team Leader 4 MR. JOSEPH J. PATRICK, Senior Investigator U.S. COMMODITY FUTURES TRADING COMMISSION 5 DIVISION OF ENFORCEMENT 525 West Monroe Street, Suite 1100 6 Chicago, Illinois 60661 (312) 596-0700 7 jplatt@cftc.gov estreit@cftc.gov 8 jpatrick@cftc.gov 9 On behalf of the U.S. Commodity 10 Futures Trading Commission; 11 FALVEY LAW OFFICE 12 BY MR. JAMES M. FALVEY 200 South Wacker Drive, Suite 3100 13 Chicago, Illinois 60606 (312) 404-5839 jmfalvey@yahoo.com 14 On behalf of Long Leaf Trading Group, 15 Inc., and the Witness; 16 (Appearing via videoconference) 17 MR. JEREMY RUTH 18 19 Appearing Pro Se. 20 21 22 23 CSR License No. 084-003278. 24</p>	<p style="text-align: right;">Page 4</p> <p>1 EXHIBITS 2 CFTC EXHIBIT MARKED FOR ID 3 No. 291 211 No. 292 215 4 No. 293 217 No. 294 221 5 No. 295 225 No. 296 239 6 No. 297 245 No. 298 251 7 No. 299 257 No. 300 259 8 No. 301 228 No. 302 167 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24</p>

<p style="text-align: right;">Page 5</p> <p>1 THE REPORTER: Pursuant to Section 319 2 of the Public Health Service Act, and in 3 conjunction with Executive Order 2020-14 4 regarding Illinois Notaries Public, I will 5 ask counsel to agree on the record that there 6 is no objection to this Certified Shorthand 7 Reporter administering a binding oath to the 8 witness remotely. I will ask each of you to 9 state your agreement on the record, starting 10 with counsel for the witness first, and at the 11 same time, please identify yourself for the 12 record.</p> <p>13 MR. FALVEY: Yes, good morning. My name 14 is Jim Falvey from the Falvey Law Office and 15 I represent Mr. Stemper in this matter, and we 16 have no objection to the rules as you've laid 17 them out.</p> <p>18 MR. PLATT: My name's Joseph Platt on 19 behalf of the CFTC. I'm joined by Chief Trial 20 Attorney Beth Streit and Commission Investigator 21 Joseph Patrick, and we have no objection. 22 (Witness duly sworn.)</p> <p>23 MR. PLATT: So, Mr. Ruth, would you 24 please identify yourself for the record as</p>	<p style="text-align: right;">Page 7</p> <p>1 particularly with respect to the videoconference 2 setting. Please try to give a verbal answer to the 3 questions. That's a yes or a no rather than a shake 4 of the head. And to avoid talking over one another, 5 I'd ask you to please wait until I'm done asking 6 my question before you give an answer. I know on 7 my part I'll wait until you're done answering the 8 question before I ask another one. And if you 9 don't understand the question, please just say so 10 and I'll try to rephrase it in a way that makes it 11 more intelligible.</p> <p>12 Because we're conducting this 13 deposition by videoconference, I'm going to show 14 you exhibits. Normally I would hand you a piece of 15 paper, but today I'm going to share my screen with 16 you. I'll have the document up and we'll make sure 17 that we're all looking at the same thing and you can 18 read it before you proceed. And today you're being 19 represented by Mr. Falvey, right?</p> <p>20 A That's correct.</p> <p>21 Q Who's paying Mr. Falvey's legal bills?</p> <p>22 MR. FALVEY: If you know.</p> <p>23 A I don't know.</p> <p>24</p>
<p style="text-align: right;">Page 6</p> <p>1 an attendant.</p> <p>2 MR. RUTH: I'm Jeremy Ruth.</p> <p>3 MR. PLATT: Thanks. This is 4 a deposition being conducted in Federal 5 court pursuant to the Federal Rules of Civil 6 Procedure and the local rules of the United 7 States District Court for the district of -- 8 Northern District of Illinois. This is the 9 CFTC's deposition, and I will conduct my 10 examination of the witness first. When I'm 11 done with my examination and I've stated on the 12 record that the examination is concluded, other 13 parties may ask questions if they wish pursuant 14 to the rules.</p> <p>15 ALEXANDER STEMPEL, 16 called as a witness herein, having been first duly 17 sworn, was examined and testified as follows: 18 DIRECT EXAMINATION 19 BY MR. PLATT: 20 Q Mr. Stemper, have you given a deposition 21 before? 22 A No, sir. 23 Q Okay. So I'd like to go over some rules 24 that might make this go a little more smoothly,</p>	<p style="text-align: right;">Page 8</p> <p>1 BY MR. PLATT: 2 Q Are you paying his legal bills? 3 A No. 4 Q Do you know if Jim Donelson is paying 5 his legal bills? 6 MR. FALVEY: Asked and answered. 7 A I would assume, but I'm not totally sure. 8 BY MR. PLATT: 9 Q Did you meet with Mr. Falvey to prepare 10 for this deposition? 11 A Yes. 12 Q How many times? 13 A Once. 14 Q Did you look at any documents to prepare 15 for the deposition? 16 A Yes. 17 Q What documents did you look at? 18 MR. FALVEY: Objection, attorney-client 19 privilege, and this we'll -- I'm going to 20 instruct the witness not to answer. 21 MR. PLATT: So I don't think it really 22 matters a whole lot here but I think, you know, 23 the document itself is not privileged. Your 24 discussions about the document would be, but</p>

<p style="text-align: right;">Page 9</p> <p>1 we'll move on.</p> <p>2 MR. FALVEY: Thank you.</p> <p>3 BY MR. PLATT:</p> <p>4 Q Mr. Stemper, are you currently employed?</p> <p>5 A Yes.</p> <p>6 Q Where do you work?</p> <p>7 A Wurth.</p> <p>8 Q What is Wurth?</p> <p>9 A Wurth Industry. They're like fasteners,</p> <p>10 tools, jigs. They're a national -- or a worldwide</p> <p>11 distributor of all that stuff.</p> <p>12 Q What's your current residential address?</p> <p>13 A It's 3660 North Lake Shore Drive.</p> <p>14 Q Is that in Chicago?</p> <p>15 A Yes.</p> <p>16 Q And what kind of position do you have at</p> <p>17 Wurth? Is it a sales position or is it something</p> <p>18 else?</p> <p>19 A Like business development, yeah.</p> <p>20 Q What is business development?</p> <p>21 A Expanding business, I guess.</p> <p>22 Q What kind of duties do you do as a --</p> <p>23 in that role?</p> <p>24 A I talk to people who are interested</p>	<p style="text-align: right;">Page 11</p> <p>1 top says Commodity Futures Trading Commission vs.</p> <p>2 Long Leaf Trading Group, right?</p> <p>3 A Yes.</p> <p>4 Q What is Long Leaf Trading?</p> <p>5 A It's a company -- or it was.</p> <p>6 Q How do you know that Long Leaf Trading</p> <p>7 was a company?</p> <p>8 A They hired me.</p> <p>9 Q When did you work at Long Leaf?</p> <p>10 A From late 2017 to late 2019.</p> <p>11 Q What was the nature of Long Leaf's business</p> <p>12 model?</p> <p>13 MR. FALVEY: Do you understand?</p> <p>14 A I don't know if I necessarily understand</p> <p>15 the question.</p> <p>16 BY MR. PLATT:</p> <p>17 Q What does Long Leaf do?</p> <p>18 A Can you be more specific?</p> <p>19 Q Sure. What did Long Leaf do?</p> <p>20 A They traded options.</p> <p>21 Q Did Long Leaf trade options for its own</p> <p>22 account?</p> <p>23 A No, they had clients.</p> <p>24 Q Does the term Time Means Money mean</p>
<p style="text-align: right;">Page 10</p> <p>1 in Wurth and what they're capable of and figure</p> <p>2 out if it would be a good fit for them basically.</p> <p>3 Q Okay, great.</p> <p>4 MR. PLATT: I'm going to mark our first</p> <p>5 exhibit as I think it's Plaintiff's Exhibit 266</p> <p>6 and show you a document. So let's see if this</p> <p>7 works.</p> <p>8 (Whereupon CFTC Exhibit No. 266</p> <p>9 was marked for identification.)</p> <p>10 MR. FALVEY: Okay.</p> <p>11 BY MR. PLATT:</p> <p>12 Q Mr. Stemper, let me know if you can see</p> <p>13 a document on your screen.</p> <p>14 MR. FALVEY: Bigger here.</p> <p>15 A Yeah, I can see it.</p> <p>16 BY MR. PLATT:</p> <p>17 Q Okay, great. And can you -- so review the</p> <p>18 portion of the document that you can see. I know</p> <p>19 you can't see the whole thing, but do you recognize</p> <p>20 this document?</p> <p>21 A Yeah, I believe so, yes.</p> <p>22 Q This is a subpoena directed to you, right?</p> <p>23 A Yes.</p> <p>24 Q And the caption in this part up at the</p>	<p style="text-align: right;">Page 12</p> <p>1 anything to you?</p> <p>2 A It's vaguely familiar, yes.</p> <p>3 Q What does Time Means Money mean?</p> <p>4 A That was the -- I don't know how</p> <p>5 to explain it. It was the strategy I guess you</p> <p>6 could say that Tim Evans, the original owner, was</p> <p>7 responsible for. It was his thing.</p> <p>8 Q It's a trading program, right, Mr. Stemper?</p> <p>9 A Yeah, yes.</p> <p>10 Q And when you worked at Long Leaf,</p> <p>11 Long Leaf had a trading program the whole time you</p> <p>12 worked there, right, whether or not it was called</p> <p>13 Time Means Money or something else, correct?</p> <p>14 A Yeah.</p> <p>15 Q And when you first started working there,</p> <p>16 I think you said the program was called Time Means</p> <p>17 Money?</p> <p>18 A Yes.</p> <p>19 Q Who are the people you remember working</p> <p>20 with at Long Leaf Trading?</p> <p>21 A To start? At the beginning?</p> <p>22 Q The whole time.</p> <p>23 A The whole time? So when I first got</p> <p>24 into the office, let's see, Tim Evans was there.</p>

<p style="text-align: right;">Page 13</p> <p>1 He was the owner. I didn't really have much 2 of a relationship with him. James Hatzigiannis, 3 Connor Campo, Andrew Nelson, Scott Gecas, Shawn 4 Mooney, and there might have been one or two other 5 gentlemen but I can't remember their names. 6 Q And you worked with Jim Donelson, right? 7 A And, of course, yeah, Jim Donelson, 8 Vicki Donelson. I was thinking at the beginning. 9 Then there was Ben Cybulski, Brian Adams. That's 10 another name, yeah. 11 Q Okay. When's the last time you interacted 12 with Jim Donelson? 13 A Define interacted. 14 Q Spoke to, emailed with, met with, in the 15 broadest possible term interacted with. 16 A Okay. I texted with him just about 17 Jim here. 18 Q And when did that occur? 19 A He offered up Jim's services. That's what 20 it was. 21 Q Okay. Do you still have that text message? 22 A Yeah, I sent it to Jim. 23 Q Okay. And before that text message, 24 when was the next most recent time you interacted</p>	<p style="text-align: right;">Page 15</p> <p>1 another name you mentioned. When's the last time 2 you interacted with Ben Cybulski? 3 A Two days ago. 4 Q What did you talk about with Mr. Cybulski? 5 A Just our current work. 6 Q And what does he do for work? 7 A He works for the same company as I do. 8 Q So do you see Mr. Cybulski frequently? 9 A No, we work remotely. 10 Q Do you interact with Mr. Cybulski 11 frequently? 12 A Yes, I would say so. 13 Q How often? 14 A A few times a week. 15 Q Do you ever talk about Long Leaf Trading 16 with Mr. Cybulski? 17 A No, sir. 18 Q Not since Long Leaf Trading closed, you 19 haven't talked with Mr. Cybulski about Long Leaf 20 Trading one time? 21 A That's correct. 22 Q So are you aware that the CFTC sued Long 23 Leaf Trading? 24 A Yeah, I guess. I don't know.</p>
<p style="text-align: right;">Page 14</p> <p>1 with Mr. Donelson? 2 A Pretty -- it was right around when they 3 shut down the company. 4 Q And when was that? 5 A December of 2019. 6 Q And so after Long Leaf shut down, did you 7 interact with Mr. Donelson at all? 8 A He had offered up some contacts, I think 9 it was Walsh Trading, but that was it. 10 Q And that was the extent of your 11 interactions with Donelson after Long Leaf closed? 12 A Yeah, from what I can remember, yeah. 13 Q When's the last time you interacted with 14 James Hatzigiannis? 15 A Not sure. It's been a while. 16 Q Have you interacted with James Hatzigiannis 17 after Long Leaf closed? 18 A Yeah, we've had conversations here and 19 there but we don't keep in touch. 20 Q Did you ever discuss Long Leaf Trading 21 with Mr. Hatzigiannis after Long Leaf Trading 22 closed? 23 A No, not really I don't think. 24 Q What about Ben Cybulski? That's</p>	<p style="text-align: right;">Page 16</p> <p>1 Q Well, you got a subpoena that 2 says Commodity Futures Trading Commission vs. -- 3 A I didn't -- 4 Q -- Long Leaf Trading, right? 5 A I didn't know that they were being sued. 6 Q You did not know about the lawsuit until 7 you received the subpoena? 8 A That's right. 9 Q Have you discussed the CFTC's lawsuit 10 against Long Leaf Trading with anyone other than 11 Mr. Falvey? 12 A No. 13 MR. PLATT: I'm going to mark CFTC 14 Exhibit 267 and show you another document. 15 (Whereupon CFTC Exhibit No. 267 16 was marked for identification.) 17 Q Do you recognize this document, 18 Mr. Stemper? 19 A It looks familiar. 20 Q This is a subpoena to you to produce 21 documents, correct? 22 A Yeah, but I just saw my name. 23 Q And it's in connection with the same 24 CFTC vs. Long Leaf Trading Group case, right?</p>

<p style="text-align: right;">Page 17</p> <p>1 A It looks like it.</p> <p>2 Q Did you produce responsive documents</p> <p>3 to the CFTC in response to this subpoena?</p> <p>4 A Yes.</p> <p>5 Q Where did you look for responsive</p> <p>6 documents?</p> <p>7 A Looked in my email, looked in my phone</p> <p>8 just for text messages and then looked to see if</p> <p>9 I had anything physical, which I did not.</p> <p>10 Q What email addresses do you use?</p> <p>11 A It's alexstemper@gmail and</p> <p>12 alander@protonmail.</p> <p>13 Q And you searched those two email addresses</p> <p>14 for documents related to Long Leaf Trading?</p> <p>15 A What was the question?</p> <p>16 Q You searched those email addresses</p> <p>17 for documents related to Long Leaf Trading, is that</p> <p>18 right?</p> <p>19 A Yes.</p> <p>20 Q Did you interview for your job at</p> <p>21 Long Leaf?</p> <p>22 A Yeah.</p> <p>23 Q Who did you interview with?</p> <p>24 A Brian Adams.</p>	<p style="text-align: right;">Page 19</p> <p>1 your office job -- the later-in-time email usually</p> <p>2 appears at the bottom of the document. So I'm going</p> <p>3 to scroll down to the first-in-time email of this</p> <p>4 email chain. Does that make sense?</p> <p>5 A Yep.</p> <p>6 Q So this is an email from your email</p> <p>7 address to Brian Adams dated September 14, 2017,</p> <p>8 right?</p> <p>9 A That's correct.</p> <p>10 Q So you wrote this. The subject line is</p> <p>11 Post-Interview, correct?</p> <p>12 A Yes.</p> <p>13 Q And you write in the second sentence</p> <p>14 to Mr. Adams, "You mentioned that not every month</p> <p>15 is a winning one, so I was curious how well your</p> <p>16 trading system is working overall." Do you remember</p> <p>17 that?</p> <p>18 A Only -- no, I don't remember it. I just --</p> <p>19 I mean, I know I wrote it.</p> <p>20 Q And then Mr. Adams -- I'm going to</p> <p>21 scroll up -- Mr. Adams replies to you and he</p> <p>22 says, "Give me a call when you get a chance so I can</p> <p>23 clarify regarding our strategy." Do you remember</p> <p>24 that discussion?</p>
<p style="text-align: right;">Page 18</p> <p>1 Q Describe the interview process.</p> <p>2 A He -- before the interview or --</p> <p>3 Q Just describe the process, please.</p> <p>4 A I applied. I believe he emailed me and</p> <p>5 we connected over email, and then they invited me</p> <p>6 to the office in which we had an in-person interview</p> <p>7 and he offered me the job.</p> <p>8 Q What did Mr. -- you interviewed with</p> <p>9 Mr. Adams, right?</p> <p>10 A Yeah.</p> <p>11 Q What did Mr. Adams tell you about the</p> <p>12 position?</p> <p>13 A I don't remember exactly what he said.</p> <p>14 Q Do you remember anything that was discussed</p> <p>15 during the interview?</p> <p>16 A Not really.</p> <p>17 MR. PLATT: Okay. I'm going to mark</p> <p>18 CFTC Exhibit 268.</p> <p>19 (Whereupon CFTC Exhibit No. 268</p> <p>20 was marked for identification.)</p> <p>21 Q Let me know when you can see this document.</p> <p>22 A Yep, I can see it.</p> <p>23 Q So, Mr. Stemper, when I show you</p> <p>24 emails -- you may be familiar with this from</p>	<p style="text-align: right;">Page 20</p> <p>1 A No.</p> <p>2 Q Do you remember anything about what</p> <p>3 Mr. Adams told you about Long Leaf's trading</p> <p>4 strategy before you started that job?</p> <p>5 A I'm sorry. I really don't remember.</p> <p>6 Q Well, at least part of what they</p> <p>7 told you was about whether or not the trades were</p> <p>8 winners or losers, right?</p> <p>9 A Say that again.</p> <p>10 Q At least part of what Mr. Adams told you</p> <p>11 was that some months were winning months and some</p> <p>12 months were losing months, right?</p> <p>13 A Yeah, yeah, I guess.</p> <p>14 Q And it was important enough to you</p> <p>15 to follow up with him and ask a question about it,</p> <p>16 right, in an email before you got the job?</p> <p>17 A I was curious.</p> <p>18 Q Yeah. Why were you curious?</p> <p>19 A Because I didn't understand it at the time.</p> <p>20 Q Mr. Adams' title here is sales manager,</p> <p>21 right?</p> <p>22 A Yes.</p> <p>23 Q What was the title of the job you were</p> <p>24 applying to, do you remember?</p>

<p style="text-align: right;">Page 21</p> <p>1 A Commodities associate.</p> <p>2 Q Do you remember if Mr. Adams provided</p> <p>3 you with any information about the trading system</p> <p>4 before you started?</p> <p>5 A If he did, I don't remember.</p> <p>6 Q Didn't provide you any documents showing</p> <p>7 how the trading system performed?</p> <p>8 A I don't think so.</p> <p>9 Q As a commodity associate, what were your</p> <p>10 duties and responsibilities at Long Leaf?</p> <p>11 A Cold calling really.</p> <p>12 Q To solicit customers, right?</p> <p>13 A Yep.</p> <p>14 Q Describe the solicitation process to me</p> <p>15 at Long Leaf.</p> <p>16 A Well, from my perspective --</p> <p>17 MR. FALVEY: And should we -- I'll</p> <p>18 object on the basis of not having a specific</p> <p>19 time frame, Jody -- or, sorry, Mr. Platt. But</p> <p>20 with that, if you can answer, please fire away.</p> <p>21 A Yeah. So the process, I basically</p> <p>22 sat at a computer and I had a bank of people that</p> <p>23 I called and I had a script that I read from.</p> <p>24</p>	<p style="text-align: right;">Page 23</p> <p>1 open accounts, so I don't understand how he</p> <p>2 can answer that question.</p> <p>3 MR. PLATT: Mr. Ruth, Mr. Ruth,</p> <p>4 if you want to object you may, you know,</p> <p>5 succinctly state your objection on the record.</p> <p>6 You can't -- you can't offer any information</p> <p>7 to the witness or try to clarify the witness'</p> <p>8 answers. That's not your role here. You can</p> <p>9 ask questions at the end of the deposition.</p> <p>10 Do you understand? Mr. Ruth, do you understand?</p> <p>11 Mary, can you please read back the</p> <p>12 last question to the witness.</p> <p>13 (Whereupon the portion of the record</p> <p>14 was read as requested.)</p> <p>15 A Yes, but I don't know.</p> <p>16 Q Customers that you solicited opened</p> <p>17 accounts at Long Leaf Trading, right?</p> <p>18 A Eventually, yes.</p> <p>19 Q And some of them, you know, funded accounts</p> <p>20 with \$25,000, right?</p> <p>21 A Yes.</p> <p>22 Q And, Mr. Stemper, another of your duties</p> <p>23 as a commodity associate at Long Leaf Trading was to</p> <p>24 manage accounts, right?</p>
<p style="text-align: right;">Page 22</p> <p>1 BY MR. PLATT:</p> <p>2 Q And if you opened an account, if you</p> <p>3 were successful in your solicitations, a customer</p> <p>4 would fund an account, right, and that was like</p> <p>5 the goal?</p> <p>6 A Yeah.</p> <p>7 Q So thinking back, Mr. Stemper, to the</p> <p>8 accounts that you opened and the customers that</p> <p>9 funded accounts, about how much would customers put</p> <p>10 into Long Leaf Trading accounts when they funded</p> <p>11 them?</p> <p>12 A I think that would range anywhere from</p> <p>13 10,000 to -- I can't remember seeing anyone put over</p> <p>14 100. I'm not sure.</p> <p>15 Q So does it sound likely an accurate</p> <p>16 generalization that \$25,000 was a common amount for</p> <p>17 customers to fund accounts with?</p> <p>18 A I would --</p> <p>19 MR. RUTH: Can I interject here?</p> <p>20 MR. PLATT: No.</p> <p>21 MR. RUTH: Okay.</p> <p>22 THE WITNESS: That was Jeremy.</p> <p>23 MR. FALVEY: Was that Mr. Ruth?</p> <p>24 MR. RUTH: (Inaudible) he could even</p>	<p style="text-align: right;">Page 24</p> <p>1 A No.</p> <p>2 Q So you didn't have any duties with</p> <p>3 respect to the trading program and helping --</p> <p>4 and offering the trade -- trade recommendations</p> <p>5 to customers?</p> <p>6 A Not at the beginning. Are we talking about</p> <p>7 the beginning or when specifically?</p> <p>8 Q Well, it sounds like at some period</p> <p>9 of time your duties expanded to include account</p> <p>10 management, right?</p> <p>11 A Yeah.</p> <p>12 Q Approximately when did that happen?</p> <p>13 A I don't remember exactly.</p> <p>14 Q Was it in 2018 do you think?</p> <p>15 A No.</p> <p>16 Q Do you think it was in 2019?</p> <p>17 A I would lean that direction, yes, yes.</p> <p>18 Q So if you opened an account in 2018,</p> <p>19 who would be responsible for interacting with the</p> <p>20 customer after the account was opened?</p> <p>21 A Either Scott Gecas, Andrew Nelson or --</p> <p>22 I don't know. I think that's -- I can't remember if</p> <p>23 there was another person or not.</p> <p>24 Q Earlier --</p>

<p style="text-align: right;">Page 25</p> <p>1 A (Inaudible).</p> <p>2 Q Yeah, sure. So earlier you testified that</p> <p>3 Time Means Money or Long Leaf's trading program</p> <p>4 involved trade recommendations, right?</p> <p>5 A Yes.</p> <p>6 Q How were those trade recommendations</p> <p>7 communicated to customers?</p> <p>8 A Email, over the phone.</p> <p>9 Q And they were -- the trade recommendations</p> <p>10 were generally multi-legged option spread trades,</p> <p>11 right?</p> <p>12 A Say that again. Multi what?</p> <p>13 Q The trade recommendations were multi-legged</p> <p>14 option spread trades, right?</p> <p>15 A Yes.</p> <p>16 Q Tell me what you remember about</p> <p>17 the structure of the trading recommendations at</p> <p>18 Long Leaf Trading.</p> <p>19 A I don't remember.</p> <p>20 Q You don't remember anything about the</p> <p>21 structure of the trades?</p> <p>22 A I can -- they had four legs. I know that.</p> <p>23 Q Before you worked at Long Leaf Trading,</p> <p>24 did you have any sales experience?</p>	<p style="text-align: right;">Page 27</p> <p>1 and Scott Gecas.</p> <p>2 Q And Long Leaf's trading program generally</p> <p>3 recommended four trades per month, right?</p> <p>4 A Yeah, that sounds right.</p> <p>5 Q And for any particular trading</p> <p>6 recommendation isn't it true that the trade</p> <p>7 structure was the same but you might recommend</p> <p>8 a different number of contracts to a particular</p> <p>9 customer?</p> <p>10 A Say that again. Sorry.</p> <p>11 Q Isn't it true that for any trade</p> <p>12 recommendation the structure of the trade was</p> <p>13 the same, but to the extent there was any variance</p> <p>14 in the recommendation it had to do with the number</p> <p>15 of contracts recommended to the customer?</p> <p>16 A I wouldn't agree with that.</p> <p>17 Q What was -- what's wrong with it?</p> <p>18 A They -- there would be a difference</p> <p>19 in the commodity as well, the specific commodity,</p> <p>20 the price of the commodity.</p> <p>21 Q So I'm talking about for any particular</p> <p>22 recommendation, different customers had different</p> <p>23 trades recommended to them. Is that your testimony?</p> <p>24 A No, no.</p>
<p style="text-align: right;">Page 26</p> <p>1 A Yes.</p> <p>2 Q What was it?</p> <p>3 A An internship and if you want to count</p> <p>4 being a server and a bartender throughout college.</p> <p>5 Q What was the internship where you gained</p> <p>6 sales experience?</p> <p>7 A What was it?</p> <p>8 Q Yeah.</p> <p>9 A Can you clarify?</p> <p>10 Q Where was the internship?</p> <p>11 A It's a company called Smart Circle</p> <p>12 International.</p> <p>13 Q What product did you sell there?</p> <p>14 A They had a variety of products.</p> <p>15 Q What were they?</p> <p>16 A For one example, I sold a car wax.</p> <p>17 Q Who designed the trades that Long Leaf</p> <p>18 recommended to customers?</p> <p>19 A Excuse me. The trades?</p> <p>20 Q Yes.</p> <p>21 A Can you clarify your time frame?</p> <p>22 Q The whole time.</p> <p>23 A Well, when I just started, I would guess</p> <p>24 it was Tim Evans and then eventually Jim Donelson</p>	<p style="text-align: right;">Page 28</p> <p>1 Q Okay. So --</p> <p>2 A I'm sorry. I misunderstood.</p> <p>3 Q Sorry, go ahead. I spoke over you.</p> <p>4 I apologize. Go ahead.</p> <p>5 A I just said no to your statement.</p> <p>6 Q Okay. So all the -- so for any particular</p> <p>7 trade recommendation, all the customers received the</p> <p>8 same trade recommendation, right?</p> <p>9 A Yes.</p> <p>10 Q With the exception maybe of the number</p> <p>11 of contracts that were recommended to be executed,</p> <p>12 right?</p> <p>13 A Yes. Sorry, I didn't understand your</p> <p>14 question the first time.</p> <p>15 Q Probably a bad question. Who determined</p> <p>16 how many contracts to recommend to a customer?</p> <p>17 A The seniors, the owner.</p> <p>18 Q And the owner was Donelson, right?</p> <p>19 A After Tim, yeah.</p> <p>20 Q Yeah. And when did that ownership change</p> <p>21 take place?</p> <p>22 A I don't know exactly.</p> <p>23 Q Approximately?</p> <p>24 A I'll give you a range from December</p>

<p style="text-align: right;">Page 29</p> <p>1 2017 to January-February of 2018, somewhere around 2 there. 3 Q Do you know how the number 4 of contracts that were recommended to a customer 5 for any particular trade was determined? 6 A No, I don't remember. 7 Q Isn't it the case that customers with 8 more equity in their accounts were recommended to 9 trade more contracts? 10 A Yeah, I think so. 11 Q How did Long Leaf generate revenue? 12 A They charged for their trade 13 recommendations if they were executed. 14 Q And they charged -- 15 MR. FALVEY: Sorry. We're just having 16 a temperature issue in here. That's the trouble 17 with an all-window office. 18 (Discussion off the record.) 19 BY MR. PLATT: 20 Q So I think you said that, you know, 21 Long Leaf charged for its recommendations. The 22 revenue came in the form of commissions, right? 23 A Yes. 24 Q And for every trade that was executed</p>	<p style="text-align: right;">Page 31</p> <p>1 A What do you mean? 2 Q Well, you made income at Long Leaf Trading, 3 right? 4 A Yeah. Are you talking my entire tenure 5 there? 6 Q Sure, or on a month-to-month basis. 7 Whatever you remember. 8 A Month to month it would range, but 9 I made 1500 for a while and then it was 2,000 a 10 month, and I think the most I ever made was around 11 4,000. 12 Q You had a Series 3 license, right? 13 A Yes. 14 Q What's a Series 3 license? 15 A It's a license for commodities and futures. 16 Q The license -- a Series 3 license requires 17 you to follow NFA's rules, right? 18 A Yes. 19 Q What's the NFA? 20 A National Futures Association. 21 MR. PLATT: I'm going to mark CFTC 22 Exhibit 269 and share this document with you. 23 24</p>
<p style="text-align: right;">Page 30</p> <p>1 a customer was charged four round-trip commissions 2 generally, right? 3 A I don't remember exactly. 4 Q Options commissions are charged on a 5 per contract basis, right? 6 A Yes, per contract I believe. 7 Q How were you compensated at Long Leaf 8 Trading? 9 A I was paid a flat \$1,500, and then I 10 don't remember exactly how the structure was set. 11 Q Was it a commission structure? 12 A Yeah. 13 Q And you were paid a portion of your 14 customers' commissions, right? 15 A Yes. 16 Q Did you ever make any bonuses at Long Leaf? 17 A Actually, yeah, there was one bonus 18 Jim gave us around Christmas. 19 Q What year was that, do you remember? 20 A 2018 going into '19, December 2019. 21 Q Do you remember how much it was? 22 A Yeah, it was \$1,000 I think. 23 Q Do you remember approximately how much 24 you made at Long Leaf Trading?</p>	<p style="text-align: right;">Page 32</p> <p>1 (Whereupon CFTC Exhibit No. 269 2 was marked for identification.) 3 Q Mr. Stemper, can you see this document? 4 A Yes. 5 Q Do you recognize it? 6 A I don't remember it. 7 Q Do you recognize this as an email 8 you received when you worked at Long Leaf Trading? 9 A Yes, must have been. 10 Q Do you recognize that -- you 11 recognize that because you used the email address 12 astemper@longleaftrading.com, right? 13 A Yeah. 14 Q And the date is November 14, 2017, right? 15 A That's right. 16 Q And there's an attachment that says 17 Alexander Stemper Ethics Initial. Do you see that? 18 A Ethics initial, is that what you said? 19 Q Alexander Stemper Ethics Initial -- 20 A Oh, yeah. 21 Q -- 10-02-2017, I think is the title. 22 A Yes. 23 Q I'm going to scroll down to that 24 attachment. Can you see it?</p>

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1 A Yes.
 2 Q This is -- it's titled Certificate of
 3 Ethics presented to you, right?
 4 A Yes.
 5 Q Coursework included, there's bullet
 6 points that say disclosure of material information,
 7 sales practices. Do you see that?
 8 A Yes.
 9 Q Acting fairly and honestly in the best
 10 interests of customers, do you see that?
 11 A Yes.
 12 Q Follow CFTC and NFA rules, do you see
 13 that bullet point?
 14 A No.
 15 Q The bottom right bullet point. It says
 16 rules and regulations of Commodity Futures --
 17 A Yep.
 18 Q -- Trading Commission, the NFA and
 19 commodity exchanges. Did I read that correctly?
 20 A I see it.
 21 Q Did you receive any sales training when
 22 you joined Long Leaf?
 23 A Yes.
 24 Q Describe the training that you received

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1 at Long Leaf.
 2 A From what I remember, it was about
 3 sales cadence, being able to effectively read the
 4 script basically.
 5 MR. PLATT: I'm going to mark CFTC
 6 Exhibit 270.
 7 (Whereupon CFTC Exhibit No. 270
 8 was marked for identification.)
 9 Q Let me know when you can see this document,
 10 Mr. Stemper.
 11 A Yeah.
 12 Q So this is a group exhibit, which
 13 means it's a bunch of different emails put into
 14 one PDF. It's not one single email chain. So I'm
 15 going to scroll through it just so you can see what
 16 it's composed of. Here there's a November 14, 2017
 17 email from Dillman to you, is that accurate?
 18 A Looks to be.
 19 Q The next email is from Adams to Janyk,
 20 Mooney, you and Dillman on January 9, 2018, correct?
 21 A Yes.
 22 Q And then there's one from Campo to you,
 23 Janyk, Gunther, Dillman and Mooney from January 3,
 24 2018, right?

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1 A Yeah.
 2 Q So it's three emails. And did you
 3 notice that they all had attachments that were sound
 4 recordings?
 5 A I didn't notice that, no.
 6 Q Did not?
 7 A No.
 8 Q Okay. We'll scroll through. Do you see
 9 what's attached to Dillman's November 14th email?
 10 A I see a bunch of -- it just looks like
 11 gibberish to me. I don't know that it's recordings.
 12 Q What's the subject line?
 13 A Oh, okay. Demo sets to listen to.
 14 Q So does that give you enough information to
 15 understand that these are sound recordings attached
 16 to Dillman's email?
 17 A Yes.
 18 Q What's a demo set?
 19 A It's what happens when you have an
 20 initial call and the person agrees to sit through
 21 a demonstration.
 22 Q And the demo set is the demonstration
 23 you're referring to?
 24 A Say that again. The demo set --

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1 Q So you said the person agrees to have
 2 a demonstration. Demo is short for demonstration,
 3 right?
 4 A Yes.
 5 Q And before the demo set there was also
 6 a step called -- that you described as an initial
 7 call?
 8 A Sure. That's, yeah, just what I called
 9 it now.
 10 Q What term would you have used to describe
 11 that at Long Leaf Trading?
 12 A A cold call. I don't know.
 13 Q Cold call? Cold call or an initial call?
 14 A Yeah, same difference.
 15 Q Okay. I'm just trying to get the
 16 concept correct. And then after -- if the cold
 17 call or initial call was successful, you would set
 18 up a demonstration or a demo, is that right?
 19 A That's right.
 20 Q And then after the demo, were there any
 21 other steps?
 22 A There was a custom.
 23 Q What's a custom?
 24 A A custom is the final presentation.

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1 Q Okay. So it sounds like the solicitation
2 process at Long Leaf had three general parts, a cold
3 call, a demo and a custom, is that right?
4 A Yes.
5 Q And would the same broker generally give
6 all those calls?
7 A No, no.
8 Q So sometimes one broker would give the
9 demo and a different broker would give the custom?
10 A Yeah.
11 Q Did you ever do both?
12 A Did I myself?
13 Q Yes.
14 A Yes.
15 Q So there were times when different
16 brokers gave the demo and the custom and there were
17 times when the same broker gave the demo and the
18 custom, is that fair?
19 A Yes.
20 Q Okay. And you'd mentioned earlier
21 that there were scripts for the demos. Was there
22 also a script for the custom?
23 A Yes.
24 Q Was there a script for the opener or the

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1 initial call?
2 A Yes.
3 Q Where did you get these scripts?
4 A From management, from the seniors, owner.
5 Q So let's turn back to CFTC Exhibit 270,
6 which is this group exhibit of three emails
7 attaching recordings of demo sets. And these
8 emails, Mr. Stemper, are dated November 2017 and
9 January of 2018. Is it fair to say that these were
10 sort of part of your onboarding or training process
11 at Long Leaf?
12 A I'm sorry. Say that again.
13 Q What were the dates of these emails in
14 this group exhibit, do you remember?
15 A The dates of the emails?
16 Q Yeah. What's the date of this email?
17 A It's November 14th.
18 Q What year?
19 A 2017.
20 Q What's the date of this email?
21 A January 19, 2018.
22 Q And that's Adams' email, right?
23 A BAdams.
24 Q Yeah. That's Brian Adams, right?

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1 A Yeah.
2 Q And then the final email, what's the date
3 there?
4 MR. FALVEY: Sorry, Jeremy. On the last
5 one I think the date was incorrectly stated.
6 A Oh, did I read that wrong?
7 BY MR. PLATT:
8 Q The date is January 9, 2018, right,
9 of Mr. Adams' email?
10 A Yeah. Did I say 19th?
11 Q I'm not sure, but it's correct now.
12 And then the last email is January 3, 2018, right?
13 A January 3rd, yes.
14 Q Of 2018, correct?
15 A Yes.
16 Q And you started at Long Leaf I think
17 you said in or around October-November of 2017.
18 Do I have that right?
19 A Yes.
20 Q So is it fair to say that this was sort
21 of your onboarding or training process to listen to
22 these Long Leaf recordings?
23 A Yes.
24 Q And I'm going to scroll up to the Adams

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1 January 9th email. Adams was the sales manager,
2 right?
3 A Yes.
4 Q And he says, "We can go through it this
5 afternoon," right?
6 A Yeah.
7 Q Mr. Stemper, do you recognize that
8 the email that Adams sent to you is a forward of
9 an email that he sent on June 22, 2017?
10 A Yes.
11 Q So the demo sets that were attached must
12 have --
13 A Actually, no.
14 Q No, you don't recognize that that's
15 a forwarded email?
16 A It looks like the one above it is
17 forwarded, but I don't recognize the one you just
18 mentioned is forwarded.
19 Q So do you think that maybe Mr. Adams
20 was forwarding the June 22, 2017 email on January 9,
21 2018?
22 A Maybe. I don't know.
23 Q You don't know?
24 A No.

<p style="text-align: right;">Page 41</p> <p>1 Q You use email, right?</p> <p>2 A Say that again.</p> <p>3 Q You use email, right?</p> <p>4 A Yes.</p> <p>5 Q In the subject line do you see the two</p> <p>6 letters, FW?</p> <p>7 A Yes.</p> <p>8 Q What does FW mean in the context of email?</p> <p>9 A Forward.</p> <p>10 Q Okay. So do you have any reason</p> <p>11 to think that Mr. Adams isn't forwarding an email</p> <p>12 that you sent on January 22, 2017?</p> <p>13 A No. The line there, I didn't know</p> <p>14 if it was a separate email. I think you said this</p> <p>15 is a PDF we're looking at. I don't know what you've</p> <p>16 got jumbled together exactly, so I was confused.</p> <p>17 Q Okay, I understand. So do you agree</p> <p>18 that Adams' January 9, 2018 email is a forward</p> <p>19 of a different email that Adams sent on June 22,</p> <p>20 2017?</p> <p>21 A Sure.</p> <p>22 Q So the recordings that he's sending you</p> <p>23 in January of 2018 predated June 22, 2017, right?</p> <p>24 A Yeah.</p>	<p style="text-align: right;">Page 43</p> <p>1 attachment. Do you see where it says Jordan Belfort</p> <p>2 Straight Line Persuasion?</p> <p>3 A Yes.</p> <p>4 Q Do you know who Jordan Belfort is?</p> <p>5 A Yes.</p> <p>6 Q Who is he?</p> <p>7 A He's an investor -- or he was. I don't</p> <p>8 know if he still is.</p> <p>9 Q He's the Wolf of Wall Street, right?</p> <p>10 A Sure.</p> <p>11 Q You know that he's the Wolf of Wall Street,</p> <p>12 right?</p> <p>13 A Yeah.</p> <p>14 Q Did you review this material that</p> <p>15 Mr. Dillman sent to you?</p> <p>16 A I don't really remember.</p> <p>17 Q Do you know what kind of sales practices</p> <p>18 Jordan Belfort espouses in materials like this?</p> <p>19 A No.</p> <p>20 Q What about generally, do you know what</p> <p>21 kind of sales practices Jordan Belfort is known for?</p> <p>22 A No.</p> <p>23 Q Have you ever like viewed sales videos</p> <p>24 featuring Jordan Belfort?</p>
<p style="text-align: right;">Page 42</p> <p>1 Q And part of your onboarding and</p> <p>2 training at Long Leaf was to listen to calls,</p> <p>3 recordings of sales calls from before June of 2017,</p> <p>4 right?</p> <p>5 A From this email, yes.</p> <p>6 MR. PLATT: I'm going to mark Exhibit --</p> <p>7 CFTC Exhibit 271.</p> <p>8 (Whereupon CFTC Exhibit No. 271</p> <p>9 was marked for identification.)</p> <p>10 Q Let me know when you can see this email,</p> <p>11 Mr. Stemper.</p> <p>12 A Got it.</p> <p>13 Q Do you recognize this as an email</p> <p>14 from Dillman to you on November 10th of 2017?</p> <p>15 A Yes.</p> <p>16 Q And, incidentally, who is Ryan Dillman?</p> <p>17 A He was an associate who was hired the same</p> <p>18 time I was.</p> <p>19 Q Did you have the same job he did?</p> <p>20 A Yeah.</p> <p>21 Q And there's an attachment, SLP Action Book.</p> <p>22 Do you see that?</p> <p>23 A Yeah.</p> <p>24 Q So I'm going to scroll down to the</p>	<p style="text-align: right;">Page 44</p> <p>1 A I might have. I don't remember.</p> <p>2 Q Have you ever seen the movie the Wolf of</p> <p>3 Wall Street?</p> <p>4 A When it came out.</p> <p>5 Q So yes?</p> <p>6 A Yeah.</p> <p>7 Q What kind of sales practices were featured</p> <p>8 in that movie?</p> <p>9 A I don't know.</p> <p>10 MR. PLATT: Okay. I'm going to mark</p> <p>11 CFTC Exhibit 272.</p> <p>12 (Whereupon CFTC Exhibit No. 272</p> <p>13 was marked for identification.)</p> <p>14 Q Do you recognize this as an email</p> <p>15 that you sent to Craig Pace on the same day that</p> <p>16 Dillman sent you the Straight Line Persuasion book,</p> <p>17 November 10, 2017?</p> <p>18 A Yeah.</p> <p>19 Q What's the subject line there?</p> <p>20 A Belfort.</p> <p>21 Q What's in the body of the email?</p> <p>22 A It's a YouTube link.</p> <p>23 Q So you're sending Pace a link to</p> <p>24 a video of Belfort on the same day that Dillman</p>

<p style="text-align: right;">Page 45</p> <p>1 sends you materials related to Belfort, right?</p> <p>2 A Looks like it.</p> <p>3 Q Who's Craig Pace?</p> <p>4 A He was a senior associate there.</p> <p>5 Q At Long Leaf Trading did the brokers</p> <p>6 try to put into practice lessons that they learned</p> <p>7 from successful stock brokers?</p> <p>8 A I don't know.</p> <p>9 Q What was your goal as a broker at Long</p> <p>10 Leaf?</p> <p>11 A Help people diversify their portfolios</p> <p>12 and to give them access to something that they</p> <p>13 didn't have.</p> <p>14 Q Your goal was to open accounts, right?</p> <p>15 A You could put it that way.</p> <p>16 Q And how did you open accounts?</p> <p>17 A Through the sales process.</p> <p>18 Q Does Long Leaf require its brokers to</p> <p>19 meet sales targets?</p> <p>20 A What do you mean?</p> <p>21 Q Do you know what a sales target is?</p> <p>22 A Generally.</p> <p>23 Q So generally does Long Leaf require its</p> <p>24 brokers to meet sales targets?</p>	<p style="text-align: right;">Page 47</p> <p>1 A Maybe one a day. I'm not sure.</p> <p>2 Q Did that change over time? Did</p> <p>3 you do more towards the end of your tenure at</p> <p>4 Long Leaf or fewer or just about one per day sort</p> <p>5 of consistent?</p> <p>6 A I would say one per day. I don't know.</p> <p>7 I don't remember exactly.</p> <p>8 Q Were there ever any days where you would</p> <p>9 give like four demos or five demos?</p> <p>10 A It could have been like that, yes.</p> <p>11 Q How were the requirements related</p> <p>12 to the number of calls and the number of demos</p> <p>13 communicated to you?</p> <p>14 A How were they communicated? Verbally.</p> <p>15 Q By whom?</p> <p>16 A The seniors, owner.</p> <p>17 Q So Donelson would tell you what the</p> <p>18 requirements were?</p> <p>19 A It started with Tim.</p> <p>20 Q So Tim and Donelson would tell you what</p> <p>21 the requirements were?</p> <p>22 A If you want to throw the sales manager</p> <p>23 in there, you can.</p> <p>24 Q Sure. And who's that, Adams?</p>
<p style="text-align: right;">Page 46</p> <p>1 A Hard to say.</p> <p>2 Q Did Long Leaf require its brokers to make</p> <p>3 a minimum number of calls per day?</p> <p>4 A Yes.</p> <p>5 Q How many?</p> <p>6 A 150 to 200. I think 200 might have been</p> <p>7 a minimum at one point.</p> <p>8 Q Were there performance targets for</p> <p>9 delivering a certain number of demos per day or</p> <p>10 per week?</p> <p>11 A Yeah.</p> <p>12 Q What were those?</p> <p>13 A Three -- set three demos a day.</p> <p>14 Q Set three. So that's schedule?</p> <p>15 A Yeah.</p> <p>16 Q And what about delivering demos,</p> <p>17 setting aside any performance requirements?</p> <p>18 Can you put a number on approximately how many</p> <p>19 demos you would deliver either on a normal day or</p> <p>20 on a normal week?</p> <p>21 A Demos I would deliver as in present or set?</p> <p>22 Q Present.</p> <p>23 A I don't know.</p> <p>24 Q Can you ballpark it?</p>	<p style="text-align: right;">Page 48</p> <p>1 A Brian, yeah.</p> <p>2 Q Okay. So those three are the folks who</p> <p>3 dealt with sales targets?</p> <p>4 A Well, actually, Scott Gecas. He was --</p> <p>5 he took part in that as well.</p> <p>6 Q Do you know if your calls were recorded,</p> <p>7 Mr. Stemper?</p> <p>8 A Yeah, I think they were.</p> <p>9 Q Did you ever listen to them?</p> <p>10 A Not really.</p> <p>11 Q And I mean -- sorry. To follow up,</p> <p>12 is that a no or maybe you did?</p> <p>13 A I'm sure I did, but I can't really remember</p> <p>14 doing it a lot or actively.</p> <p>15 Q Do you know if anyone else at Long Leaf</p> <p>16 listened to your calls?</p> <p>17 A I don't know.</p> <p>18 Q So you don't know if Donelson ever listened</p> <p>19 to your calls?</p> <p>20 A No idea.</p> <p>21 MR. PLATT: I'm going to mark CFTC</p> <p>22 Exhibit 273 and share this with the group.</p> <p>23</p> <p>24</p>

<p style="text-align: right;">Page 49</p> <p>1 (Whereupon CFTC Exhibit No. 273 2 was marked for identification.) 3 A Could you make the font larger somehow? 4 Q I can try. One sec. Does that help? 5 A Yes. 6 Q Okay, great. 7 MR. FALVEY: Alex recognizes that I'm 8 an old man and can't see. 9 MR. PLATT: That's fine. And, you 10 know, if you can't see the exhibits, please 11 just continue to speak up. It's important 12 that we're all looking at the same thing. 13 Q So this is another group exhibit, 14 Mr. Stemper. I'm going to scroll through it 15 really quickly just to show you what the emails 16 are that are making up this group. So the first 17 one is from Donelson to a group including Janyk, 18 you, Campo, Hatzigiannis, Gunther, Mooney, Dillman, 19 Nelson and Pace on December 14, 2017, is that right? 20 A Yeah. 21 Q The second one is from Donelson to 22 Dillman, Janyk, you and Mooney on January 5, 2018, 23 is that correct? 24 A Yes.</p>	<p style="text-align: right;">Page 51</p> <p>1 A Owner. 2 Q And like what sorts of tasks did he do 3 as the owner? 4 A Traded, designed trades, led us. 5 Q So when you say "us," this email, is it 6 correct to say that this email is directed to the 7 brokers, all the brokers at that time? 8 A To everyone that worked there. 9 Q Well, this one's not to Gecas, right? 10 Maybe it's before Gecas worked there? 11 A Oh, no, Gecas was working there when 12 I was there. 13 Q So this one's not to Gecas and Adams. 14 This is just to the brokers, right? 15 A Well, Gecas was a broker. 16 Q But I think you also said that he was 17 like sort of a senior guy? 18 A A senior broker, sure. 19 Q So I guess my point is, Mr. Stemper, 20 this December 14th email is not addressed to Adams 21 and it's not addressed to Gecas, right? 22 A Doesn't look like it. 23 Q So -- and the subject is Sales Meeting. 24 So -- and Mr. Donelson is saying I want to engage</p>
<p style="text-align: right;">Page 50</p> <p>1 Q And then the last one is from Donelson 2 on January 16, 2018 to a big, long group of folks. 3 It looks like almost everyone at Long Leaf, is that 4 fair? 5 A Yep. 6 Q I'm going to go back up to this 7 first exhibit, the December 14th Donelson email. 8 The subject is Sales Meeting, right? 9 A Yeah. 10 Q Does this refresh your recollection that 11 Donelson started at least no later than December 15, 12 2017? 13 A That's right. 14 Q Donelson writes, "I want to have 15 a meeting about restarting and engaging you on 16 sales targets, data quality improvement and training 17 tomorrow. Donuts will be provided. Any specific 18 donut requests will need to be made today before 19 4:45 p.m.," correct? 20 A Yeah. 21 Q And the "donuts will be provided" is in 22 bold, right? 23 A Yeah. 24 Q So what was Donelson's role at Long Leaf?</p>	<p style="text-align: right;">Page 52</p> <p>1 you on sales targets, data quality improvement and 2 training tomorrow, right? 3 A Yeah. 4 Q So Donelson is working with the broker 5 team on sales targets and on training, right, and 6 on improving processes, right? Is that what this 7 email reflects? 8 A Yeah. 9 Q And is that consistent with your 10 recollection about what Donelson -- one of the 11 things that Donelson did at Long Leaf? 12 A Yeah. 13 Q And so just to be clear, and I'm sorry 14 to belabor the point, Donelson communicated sales 15 targets to the brokers, right? 16 A Yes. 17 Q And before that I think you testified 18 that Tim Evans also did that task. Tim Evans 19 communicated sales targets to the brokers, right? 20 A Yeah. 21 Q Now I'm on the second exhibit here -- 22 the second document of Exhibit 273. This is a 23 February -- this is a January 5, 2018 email again 24 from Donelson but now it's just to four guys,</p>

<p style="text-align: right;">Page 53</p> <p>1 Dillman, Janyk, you and Mooney. And what is the 2 common thread between Dillman, Janyk, you and 3 Mooney? 4 A We were all just starting there. 5 Q Were you guys called openers? 6 A Yeah. 7 Q So this is a new opener meeting and 8 Donelson is telling the new openers that he wants 9 to discuss expectations and goals with you guys, 10 right? 11 A Yeah. 12 Q Do you remember what the new process 13 that he's describing here, do you remember what 14 that is? 15 A No. 16 Q Donelson comes on board. He's the new 17 boss. He's the owner. He wants to meet with you. 18 You're a new employee and he says we're going to put 19 in place this new process. No recollection of that? 20 MR. FALVEY: Asked and answered, but go 21 ahead if you know. 22 A I'm sorry. I lost the question. 23 MR. PLATT: Mary, can you please read 24 the question back.</p>	<p style="text-align: right;">Page 55</p> <p>1 Q Was it important to Donelson? 2 MR. FALVEY: Objection, speculation. 3 You can answer, though. 4 A Oh, was it important to him? I'd say yeah. 5 BY MR. PLATT: 6 Q Yeah. What's your basis for saying that 7 it was important to him? 8 A He's the owner. 9 Q But beyond the owner, you know, 10 you were in the office with him every day, right? 11 So like what made you think -- what makes you think 12 sitting here today that getting money in the door 13 was important to Donelson? 14 A Isn't it important for any business owner 15 to get money in the door? 16 Q Well, Mr. Stemper, I just want to push 17 back on that a little bit. Long Leaf's revenue, as 18 you testified, didn't come from getting money in the 19 door, right? It came from executing trades, right? 20 A Well, one has to happen before the other. 21 Q True enough. 22 MR. FALVEY: Oh, hey, Mr. Platt, can we 23 take a five-, ten-minute break? 24 THE WITNESS: I have to use the restroom</p>
<p style="text-align: right;">Page 54</p> <p>1 (Whereupon the portion of the record 2 was read as requested.) 3 A I don't remember. 4 Q So scrolling down to this final 5 email in Group Exhibit 273, this is from Donelson 6 to what looks to me to be everyone at Long Leaf 7 on January 16, 2018. 8 A Okay. 9 Q And Donelson -- in the second paragraph 10 here Donelson writes, and I'm going to scroll over 11 so you can see it, "The key this week is to get the 12 money in the door before our next set of trades." 13 Did I read that correctly? 14 A Yes. 15 Q Why was that important to Donelson? 16 A I don't know. 17 MR. FALVEY: I'm just going to object 18 as to speculation. 19 BY MR. PLATT: 20 Q Is it fair to say that that was always 21 a concern for Donelson? 22 A What's that? 23 Q Getting money in the door. 24 A A concern, I don't know.</p>	<p style="text-align: right;">Page 56</p> <p>1 real quick. 2 MR. PLATT: Yeah. Let's take five, 3 but let's try and get back as quickly as 4 possible. We've got a lot to get through 5 today. 6 THE WITNESS: Yeah, no problem. 7 MR. FALVEY: Okay, thanks. 8 (Whereupon a recess was taken from 9 10:10 a.m., to 10:22 a.m., after 10 which the following proceedings 11 were had:) 12 MR. PLATT: Mr. Stemper, I'm going 13 to mark CFTC Exhibit 274 and show you another 14 group exhibit. So it's another couple of 15 emails. 16 (Whereupon CFTC Exhibit No. 274 17 was marked for identification.) 18 Q Let me know when you can see the exhibit. 19 A I can see it. 20 Q So this first -- this is a group exhibit 21 composed of, I believe, two emails. And this first 22 email is from Donelson to Dillman, Hatzigiannis, 23 Gunther and Stemper on July 27, 2018 at 1:04 a.m., 24 right?</p>

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1 A Yeah.
 2 Q And Donelson fires off this late
 3 night email and he says, "These call volumes are
 4 unacceptable. 200 per day is the number and we
 5 better start hitting it," right?
 6 A Yep.
 7 Q And Dillman, Hatzigiannis, Gunther
 8 and you in July 27 -- on July 27, 2018, you were
 9 the brokers at Long Leaf, right, that group of four?
 10 A There were more people that worked there.
 11 Q Who else worked there at that time?
 12 A Andrew Nelson, Scott. I don't know if
 13 Craig was still there or not.
 14 Q At that time did Andrew Nelson make calls
 15 to customers?
 16 A Not like this.
 17 Q So I'm going to scroll down --
 18 it looks like Donelson is forwarding you a report
 19 from InsideSales, right?
 20 A I don't know, maybe. Scroll down.
 21 Q Well, let's look at the subject line of
 22 Donelson's email. I jumped the gun there. It says
 23 Forward: InsideSales.com - Broker - Call Results.
 24 And then it attaches a spreadsheet, right?

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1 A I can't see the spreadsheet.
 2 Q Do you know what a CSV file is?
 3 A CSV?
 4 Q Do you know what the file extension
 5 CSV denotes?
 6 A No.
 7 Q This is an email from InsideSales
 8 to Donelson, right, that he's forwarding to you?
 9 A I don't know.
 10 Q Do you know how email works?
 11 A He forwarded it to me, yes.
 12 Q Yes, you know how email works?
 13 A Somewhat.
 14 Q Let's look at the subject line of
 15 Donelson's email. Do you see where it says FW?
 16 A Okay.
 17 Q We went over this a little earlier. What
 18 does FW mean?
 19 A You tell me.
 20 MR. PLATT: Mr. Falvey, would you please
 21 instruct your client to answer the question.
 22 A It means forward.
 23 Q And Donelson's forwarding you an email
 24 and the subject line is InsideSales.com - Broker -

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1 Call Results, right?
 2 A Yes.
 3 Q And what is the email that Donelson
 4 is forwarding you? If you can't read that next
 5 header, let me know and I can scroll down, but I
 6 think you can read it.
 7 A All brokers call results.
 8 Q Right. And the email is from
 9 reports@insidesales.com, correct?
 10 A Okay, yeah.
 11 Q What is InsideSales?
 12 A It's a service website.
 13 Q What kind of service?
 14 A For sales.
 15 Q Did you use InsideSales at Long Leaf?
 16 A Yes.
 17 Q How did you use it?
 18 A To call people.
 19 Q How did you use InsideSales to call people?
 20 A I don't know how to answer that.
 21 Q What information did InsideSales provide
 22 to you that enabled you to call people?
 23 A It was a system that had a database of
 24 people that we called.

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1 Q Did you use InsideSales for any other
 2 purpose other than accessing this database that you
 3 just referenced?
 4 A We made our calls through them. That would
 5 be that, I'd say.
 6 Q I'm going to scroll down. Do you agree
 7 that this is the report that Donelson is forwarding
 8 to you? Do you see this table?
 9 A Yeah.
 10 Q It lists five names, Dillman, Gecas,
 11 Gunther, Hatzigiannis and yourself, right?
 12 A Yep.
 13 Q And information related to total
 14 number of dials and talk time, were those two of
 15 the columns in this report?
 16 A Yep.
 17 Q And that's all the brokers as of July 2018,
 18 right?
 19 A I think so.
 20 Q So do you remember we looked at an
 21 exhibit where Donelson emailed a group of brokers
 22 to hold a sales meeting from December 14, 2017?
 23 A Yeah.
 24 Q It looks like there are far fewer

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1 brokers as of July 2018 than in December 2017,
 2 correct?
 3 A Yeah.
 4 Q Do you remember the number of brokers
 5 decreasing over time at Long Leaf?
 6 A Um-hmm.
 7 MR. FALVEY: Remember to say yes.
 8 A Yeah, sorry. I was biting my lip.
 9 MR. FALVEY: That's okay.
 10 BY MR. PLATT:
 11 Q Thanks. I'm going to keep scrolling
 12 down to the second email in this group exhibit and
 13 this is Donelson to Hatzigiannis, Dillman, you and
 14 Gunther on July 27, 2018, the same day. And he's
 15 copying Nelson and Gecas, and the subject line is
 16 Cleanup of InsideSales. Is that all correct?
 17 A Yes.
 18 Q And Donelson writes, "From this day
 19 forward I will be transferring better leads based
 20 on effort. If you are not dialing, you will not be
 21 getting leads transferred to you," is that correct?
 22 A Yep.
 23 Q He says I'll be keeping an eye on the
 24 statistics so I know where everyone is, is that

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1 right?
 2 A Yeah.
 3 Q So earlier we looked at a document
 4 that I think you testified reflected Donelson's
 5 interest in getting money in the door, and that was
 6 January 2018, right?
 7 A Yeah.
 8 Q And here we see him, you know, seven
 9 months later and he's still pretty focused on
 10 getting money in the door, right?
 11 A Yeah.
 12 Q So we've looked at a bunch of documents
 13 now, Mr. Stemper, where Donelson is discussing sales
 14 targets and he's meeting with the brokers. I want
 15 to talk about the people who you've described as
 16 seniors and what their duties were. So I think you
 17 mentioned Scott Gecas was a senior. What did he
 18 do at Long Leaf Trading?
 19 A He was a chief market strategist at
 20 one point I remember, and he dealt with clients.
 21 He did the custom presentation.
 22 Q Andrew Nelson is another name we've
 23 seen on the emails. What did Andrew Nelson do at
 24 Long Leaf Trading?

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1 A He's pretty much like Scott, except
 2 he didn't design trades. He was responsible for
 3 monitoring them at one point, but that's all I
 4 can -- that I know about that.
 5 Q And we saw the sales manager, Brian Adams.
 6 What did Adams do at Long Leaf Trading?
 7 A He just monitored us. He was a compliance
 8 officer at one point.
 9 Q So what do you mean when you say he,
 10 Adams, monitored you?
 11 A He was the sales manager.
 12 Q And like what kinds of duties did he
 13 perform as sales manager?
 14 A I really don't remember exactly what he
 15 did.
 16 Q Did you deal with Adams frequently on
 17 a day-to-day basis?
 18 A Yeah. I think he -- he would -- he would
 19 divvy out the leads.
 20 Q So one of the things that Adams was
 21 responsible for was sort of making sure that the
 22 leads got apportioned between the brokers?
 23 A Yeah, that's right.
 24 Q Can you describe, you know, any other

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1 interactions that you had with Adams at Long Leaf
 2 on a regular basis?
 3 A I don't really remember him and what
 4 exactly he did.
 5 Q Doesn't sound like you had a very prominent
 6 role there, is that fair? Almost administrative in
 7 nature?
 8 MR. FALVEY: Objection as to the
 9 characterization of prior testimony.
 10 MR. PLATT: Mr. Falvey, that's not
 11 a valid objection.
 12 Q You can answer the question, Mr. Stemper.
 13 MR. FALVEY: You can answer the question.
 14 A Can you say it one more time? Sorry.
 15 MR. PLATT: Mary, can you read the question
 16 back, please.
 17 (Whereupon the portion of the record
 18 was read as requested.)
 19 A It depends on how you define prominent.
 20 Administrative, maybe.
 21 Q But you weren't the boss, right?
 22 A He was there every day.
 23 Q I'm sorry. Go ahead.
 24 A I said he was there every day.

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1 MR. PLATT: I'm going to mark CFTC
 2 Exhibit 275.
 3 (Whereupon CFTC Exhibit No. 275
 4 was marked for identification.)
 5 Q This is another group exhibit.
 6 I think it's two calendar invitations, Mr. Stemper.
 7 The first one is from Donelson to what looks like a
 8 group of brokers on April 17, 2018, is that correct?
 9 A Yes.
 10 Q And the second one is an invitation
 11 from Donelson to you and Gecas on June 4, 2018,
 12 is that right?
 13 A Yep.
 14 Q Going back to the first email in Group
 15 Exhibit 275, which is Donelson's April 17, 2018
 16 email to the brokers, the subject is Performance
 17 Review and Tracking, is that right?
 18 A Yeah.
 19 Q Describe the performance review process
 20 at Long Leaf.
 21 A As you saw in the email, it's in the
 22 breakout room. So we met in the breakout room and
 23 Jim and Scott, from what I remember, they went over
 24 like the numbers of demo sets and calls.

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1 Q So the performance review process was
 2 largely focused on numbers of calls that the brokers
 3 delivered?
 4 A Yes.
 5 Q Any other topics included in the
 6 performance reviews for the brokers at Long Leaf?
 7 A Demo sets.
 8 Q Anything else besides number of calls
 9 and demo sets that you can remember at this time?
 10 A No.
 11 Q And this is Donelson's meeting, right?
 12 It's his invitation? You met with Donelson?
 13 A And Scott, but yeah.
 14 Q Was Adams there?
 15 A No.
 16 Q Scott didn't send the invite, right?
 17 Donelson sent it, correct?
 18 A I think so, yeah.
 19 Q I'm going to scroll down to the
 20 second email in CFTC Group Exhibit 275. This is
 21 Donelson to you and Scott on June 4, 2018, correct?
 22 A Yep.
 23 Q Title is Monthly Discussion, right?
 24 A Yeah.

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1 Q What were the monthly discussions with
 2 Donelson about?
 3 A I don't remember. I don't know that
 4 they even occurred monthly, to be honest. I don't
 5 know.
 6 Q Well, the subject line reflects that they
 7 occurred monthly, right?
 8 A Did it, though?
 9 Q I'm asking you. I wasn't there.
 10 A I don't think it did. You have
 11 the emails. Are there more emails with monthly
 12 discussions?
 13 Q I'm asking you about this email,
 14 Mr. Stemper. If you don't remember monthly
 15 discussions happening and that's your testimony --
 16 is that your testimony, you do not remember this
 17 meeting?
 18 A I think it might have happened once
 19 or twice, but I don't remember.
 20 Q That makes sense to me, that maybe
 21 Mr. Donelson started setting monthly meetings after
 22 this performance review meeting and they just sort
 23 of fell by the wayside?
 24 A Yeah.

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1 Q So the goal was to have Donelson
 2 continue to offer regular oversight of your sales
 3 duties, but it just sort of trickled off?
 4 A Yes.
 5 Q And this was in the spring of 2018, right?
 6 A Yeah.
 7 Q Did you ever get a copy of the Long Leaf
 8 compliance manual?
 9 A I'm not sure.
 10 Q Do you know if Long Leaf had a compliance
 11 manual?
 12 A I think so.
 13 Q If you got it, where would you have gotten
 14 it from?
 15 A Jim, Brian.
 16 Q You think someone would have emailed it
 17 to you?
 18 A Possibly.
 19 Q Was there a shared drive at Long Leaf?
 20 A I don't remember.
 21 Q Do you know what I mean by a shared drive?
 22 A Yeah.
 23 Q So if you wanted to access documents
 24 from a central repository, did something like that

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1 exist?
 2 A I don't remember.
 3 Q You don't remember if Long Leaf used
 4 a shared drive? You worked there for two years.
 5 A I want to say they did, but I really --
 6 Q If they had one, it doesn't sound like
 7 it's something that you had access to or access on
 8 a regular basis, is that fair?
 9 A Yeah. You know what, they did. I remember
 10 they did.
 11 Q What kinds of documents or information were
 12 stored in the shared drive?
 13 A That's what I can't remember exactly.
 14 Q What about generally?
 15 A I don't know.
 16 Q Did you ever hear Donelson or Gecas discuss
 17 storing material in the shared drive?
 18 A Not that I remember.
 19 Q Okay. Is it generally true that
 20 most of your day was focused on InsideSales and
 21 if you got information from Donelson, it was mostly
 22 by email?
 23 A Or just through talking.
 24 Q Verbally?

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1 A Yeah.
 2 Q Did you guys use hardcopy documents
 3 at Long Leaf?
 4 A Scripts were hardcopy.
 5 Q Where were they stored?
 6 A Just at the desks.
 7 Q So each broker had a copy of the relevant
 8 scripts? The scripts --
 9 A Yes.
 10 Q Oh, sorry. You've got to give a verbal
 11 answer. I apologize.
 12 A I said yes.
 13 Q And each broker had a copy of the custom
 14 script and the demo script?
 15 A Yeah.
 16 Q And that's like out in the open laying
 17 on people's desks, right?
 18 A Yeah.
 19 Q Describe Long Leaf's office environment
 20 to me -- office space, excuse me.
 21 A It was an open room with glass walls and
 22 the desks were sectioned off in fours.
 23 Q One room?
 24 A Yeah.

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1 Q And Donelson walked through this room,
 2 I take it, every day?
 3 A Yeah, yeah.
 4 Q Walked around the four desk partitions?
 5 A (Nodding).
 6 Q You've got to give a verbal answer. Sorry.
 7 A Yeah, sorry.
 8 Q And so it was out in the open for
 9 Donelson to see what was on everyone's desk at any
 10 given time, right?
 11 A Yes.
 12 Q Did people try to hide or secrete documents
 13 from Donelson?
 14 A No.
 15 Q So I asked you about Long Leaf's
 16 compliance manual. I think your answer was you
 17 might have gotten it -- you might have gotten it
 18 from Brian or Jim, is that right?
 19 A Yeah.
 20 Q Did Long Leaf Trading have a compliance
 21 department when you worked there?
 22 A No.
 23 Q Did Long Leaf Trading have any compliance
 24 offices when you worked there?

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1 A Brian was.
 2 Q Any other compliance officers?
 3 A I don't know if Vicki or -- if Vicki was
 4 a compliance officer or not.
 5 Q When did Vicki start working there?
 6 A After Brian left.
 7 Q Do you know if Vicki had any experience
 8 as a compliance officer?
 9 A No idea.
 10 Q And Brian left in June of 2018,
 11 is that about consistent with your recollection?
 12 A Sounds right.
 13 Q Brian Adams, sorry. And when you're
 14 talking about Vicki, just so the record's clear,
 15 you're talking about Vicki Donelson, Jim's wife,
 16 right?
 17 A Yeah.
 18 Q So you said that she started working
 19 there after Brian Adams left. Do you remember if
 20 there was a gap in between when Vicki started and
 21 Brian Adams was terminated?
 22 A No, I don't remember.
 23 Q What did Brian Adams do as a compliance
 24 officer? What compliance duties did he perform?

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1 A I don't know.
 2 Q Did he perform any compliance duties?
 3 A I just can't really remember what he did.
 4 Q So why are you saying he was the compliance
 5 officer?
 6 A I think that was his title when he came
 7 back. Don't quote me on that. I'm not 100 percent
 8 positive, but I don't know.
 9 Q It sounds like you're guessing.
 10 A Going off my memory, yeah.
 11 Q So you said when Adams came back.
 12 Can you tell me about when Adams left the first
 13 time before he was terminated?
 14 A What do you want to know?
 15 Q Just tell me about it.
 16 A I don't really know what to say.
 17 Q Why did Adams leave the first time?
 18 A I think he was fired.
 19 Q What was he fired for the first time?
 20 A I don't know.
 21 Q Do you remember approximately when that
 22 happened?
 23 A You said he was hired or he was --
 24 he left in June 2018?

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1 Q I think I asked you if it was consistent
 2 with your recollection that Adams was fired around
 3 June of 2018. Does that sound correct to you?
 4 I can't testify.
 5 A Yeah. Yeah, I really don't remember.
 6 Q You don't remember when he was fired the
 7 first time?
 8 A No.
 9 Q Was it like in 2018, do you think?
 10 A It must have been, yeah.
 11 Q So Adams worked there when you started,
 12 right? We saw the emails where he was forwarding
 13 you the demo recordings.
 14 A Yes.
 15 Q And then at some point he was fired,
 16 correct?
 17 A Yes.
 18 Q Then he came back, right?
 19 A Yeah.
 20 Q And then he was fired again around --
 21 A Yes.
 22 Q -- June of 2018, right?
 23 A Yes. June of 2019 or 2018?
 24 Q '18, 2018.

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1 A I think you've got the date wrong
 2 because --
 3 Q Which date do you think I have wrong?
 4 A Was that the first time he was fired
 5 or the second time he was fired, June 2018? It
 6 sounds like it was the first time.
 7 Q So I'm asking you if your recollection
 8 is that Brian Adams was permanently terminated from
 9 Long Leaf Trading around June of 2018.
 10 A Yeah.
 11 Q And there was a time before June of 2018
 12 where he was fired and then he came back, right?
 13 A It might have been after June 2018.
 14 Q So my earlier question was is it your
 15 recollection that Adams was permanently fired from
 16 Long Leaf Trading in June of 2018.
 17 A Yeah. Whether it be the first or the
 18 second time, I don't know.
 19 Q So I'm using the word permanent to mean
 20 that he was not rehired.
 21 A I don't remember. I'm sorry.
 22 Q Did Brian Adams ever provide any compliance
 23 training to you?
 24 A What do you mean by compliance training?

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1 Q You're a Series 3 licensed broker,
 2 Mr. Stemper. If you don't have a recollection that
 3 he provided compliance training to you, then I'm not
 4 sure how to ask the question.
 5 A I would say that he did. I just don't
 6 remember what it was.
 7 Q So you think that Brian Adams provided
 8 compliance training to you, but you don't remember
 9 what that was?
 10 A Yeah.
 11 Q Why do you think he provided you compliance
 12 training?
 13 A I remember him training us. I just don't
 14 remember exactly what it was on.
 15 Q Well, you saw he gave you sales training,
 16 right?
 17 A Yeah.
 18 Q Are you thinking about something else?
 19 A Well, maybe that's what I'm thinking of.
 20 Q Sales training, not compliance training?
 21 A Yeah.
 22 Q Do you know if Mr. Adams performed any
 23 anti-money laundering duties at Long Leaf Trading?
 24 A Yeah, that I do remember. We had to do

<p style="text-align: right;">Page 77</p> <p>1 something I think once a year for that.</p> <p>2 Q And what did Adams do in connection with</p> <p>3 that?</p> <p>4 A Made sure that we did it.</p> <p>5 Q Any other compliance duties that</p> <p>6 Mr. Adams performed at Long Leaf Trading other than</p> <p>7 anti-money laundering related activities?</p> <p>8 A Not that I'm aware of.</p> <p>9 Q And the extent of that training was</p> <p>10 an online course, right? And Brian Adams just made</p> <p>11 sure that you completed it, is that correct?</p> <p>12 A Yes.</p> <p>13 Q So he was delivering the content?</p> <p>14 A You said he didn't deliver any of the</p> <p>15 content?</p> <p>16 Q Did Mr. Adams deliver any of the anti-money</p> <p>17 laundering training content to you?</p> <p>18 A He might have emailed it to me.</p> <p>19 Q Understood. Do you know if Jim Donelson</p> <p>20 ever performed any compliance duties at Long Leaf?</p> <p>21 A I don't know.</p> <p>22 Q Did Donelson ever review sales calls?</p> <p>23 A What do you mean by that, like listen</p> <p>24 to them?</p>	<p style="text-align: right;">Page 79</p> <p>1 emailed customer statements to Long Leaf customers,</p> <p>2 right?</p> <p>3 A Yeah.</p> <p>4 Q And Long Leaf brokers received something</p> <p>5 called an equity run from Cunningham, right?</p> <p>6 A I don't know what that is.</p> <p>7 Q Never heard the term equity run?</p> <p>8 A No.</p> <p>9 Q Never heard the term run?</p> <p>10 A No.</p> <p>11 Q Did you have a broker number at Long Leaf?</p> <p>12 A Yes.</p> <p>13 Q What was it?</p> <p>14 A I don't remember.</p> <p>15 Q Was it LLT002?</p> <p>16 A That sounds right.</p> <p>17 Q Do you know what the term net liquidating</p> <p>18 balance means?</p> <p>19 A Yes.</p> <p>20 Q What does it mean?</p> <p>21 A It's what's in an individual's account</p> <p>22 at any moment in time, I guess, or that day over</p> <p>23 time.</p> <p>24 Q And I apologize if I misspoke,</p>
<p style="text-align: right;">Page 78</p> <p>1 Q Yes.</p> <p>2 A I don't know.</p> <p>3 Q Did he ever tell you that he listened</p> <p>4 to your sales calls?</p> <p>5 A Not that I can remember.</p> <p>6 Q Did Donelson ever talk to you about your</p> <p>7 sales calls?</p> <p>8 A No.</p> <p>9 Q Let's switch gears here. Enough about</p> <p>10 compliance. I apologize for that. Mr. Stemper,</p> <p>11 Long Leaf Trading customers received account</p> <p>12 statements, correct?</p> <p>13 A Yeah.</p> <p>14 Q How did customers receive account</p> <p>15 statements?</p> <p>16 A Via email.</p> <p>17 Q From whom?</p> <p>18 A Was it Cunningham or -- I'm blanking</p> <p>19 on the name.</p> <p>20 Q So Cunningham is the futures commission</p> <p>21 merchant with which Long Leaf was associated,</p> <p>22 correct?</p> <p>23 A Yeah.</p> <p>24 Q And your recollection is that Cunningham</p>	<p style="text-align: right;">Page 80</p> <p>1 Mr. Stemper. I meant to ask that question using</p> <p>2 the term net liquidating value. So does that change</p> <p>3 your answer in any way?</p> <p>4 A For what exactly?</p> <p>5 Q When you answered that question,</p> <p>6 did you mean to define net liquidating value or</p> <p>7 net liquidating balance or would those two things</p> <p>8 be the same to you?</p> <p>9 A Yeah, I don't know the difference.</p> <p>10 MR. PLATT: Okay. So here's -- I'm</p> <p>11 going to share a document that I'm marking</p> <p>12 as CFTC Exhibit 276.</p> <p>13 (Whereupon CFTC Exhibit No. 276</p> <p>14 was marked for identification.)</p> <p>15 Q Can you see this?</p> <p>16 A Yeah.</p> <p>17 Q This is an October 14, 2019 email from</p> <p>18 you to James Hatzigiannis, right?</p> <p>19 A Yeah.</p> <p>20 Q And you're forwarding him an email</p> <p>21 which has the subject line Statement for Friday,</p> <p>22 October 11, 2019, right?</p> <p>23 A Yeah.</p> <p>24 Q And the attachment is a PDF that contains</p>

<p style="text-align: right;">Page 81</p> <p>1 the alphanumeric characters LLT002, is that right?</p> <p>2 A Yeah.</p> <p>3 Q And that's your broker number at Long Leaf,</p> <p>4 correct?</p> <p>5 A Yes.</p> <p>6 Q What are you forwarding to James</p> <p>7 Hatzigiannis in this email?</p> <p>8 A I don't remember exactly.</p> <p>9 Q Okay. Well, I'll scroll down and</p> <p>10 I'll show you the attachment. Do you know what</p> <p>11 this document is?</p> <p>12 A It's a statement.</p> <p>13 Q What kind of a statement?</p> <p>14 A Statement from Cunningham.</p> <p>15 Q This is a run, right?</p> <p>16 A I don't know what you mean by run.</p> <p>17 Q Okay. And so this is a statement</p> <p>18 from Cunningham, and I'm going to scroll back up.</p> <p>19 It says the daily statement -- or Statement for</p> <p>20 Friday, October 11th, is that right?</p> <p>21 A Yeah.</p> <p>22 Q How did you obtain this statement?</p> <p>23 A I would get emails daily.</p> <p>24 Q So describe the forwarded email to me</p>	<p style="text-align: right;">Page 83</p> <p>1 customer, right?</p> <p>2 A It doesn't look like it.</p> <p>3 Q This is the aggregate balances for your</p> <p>4 customer accounts, isn't it, on this first page?</p> <p>5 A It looks like it, yeah.</p> <p>6 Q And then I'm going to scroll down a</p> <p>7 little more, and we get to page 2 of the Cunningham</p> <p>8 statement. And this looks like it's Ben Powell's</p> <p>9 statement, right?</p> <p>10 A Yes.</p> <p>11 Q Part of the same document?</p> <p>12 A Yes.</p> <p>13 Q You got one long statement from</p> <p>14 Cunningham every day and it had your aggregate</p> <p>15 totals and then it had the totals for each of your</p> <p>16 customers, correct?</p> <p>17 A Yes.</p> <p>18 Q Do you remember why you forwarded this</p> <p>19 to James Hatzigiannis?</p> <p>20 A I don't.</p> <p>21 Q Did Long Leaf Trading tell</p> <p>22 customers to look at the net liquidating balance</p> <p>23 or net liquidating value when assessing the value</p> <p>24 of their account?</p>
<p style="text-align: right;">Page 82</p> <p>1 because I don't understand. There's no Long Leaf</p> <p>2 recipient here. How did you get this?</p> <p>3 A The statement?</p> <p>4 Q Yeah.</p> <p>5 A It was emailed to me.</p> <p>6 Q To your Long Leaf email address?</p> <p>7 A Yes.</p> <p>8 Q Okay. And do you know what this bit</p> <p>9 about back office, chicagobackoffice.com, do you</p> <p>10 know what that means?</p> <p>11 A No.</p> <p>12 Q So every day you received the Long Leaf</p> <p>13 statements to your Long Leaf email address?</p> <p>14 A Yes.</p> <p>15 Q Or the Cunningham statements, excuse me.</p> <p>16 A Yeah.</p> <p>17 Q Sorry. Let me just -- sorry. I</p> <p>18 think we talked over each other. Let me just ask</p> <p>19 that cleanly. On a daily basis, Mr. Stemper, you</p> <p>20 received Cunningham statements emailed to your Long</p> <p>21 Leaf Trading email address, correct?</p> <p>22 A Yeah, yes.</p> <p>23 Q And I'm just going to scroll down.</p> <p>24 This first statement, this isn't for a particular</p>	<p style="text-align: right;">Page 84</p> <p>1 A Yeah.</p> <p>2 Q And did you do that because Jim Donelson</p> <p>3 told you to do that or was this the practice in the</p> <p>4 office?</p> <p>5 A Hard to say. I think Jim read the,</p> <p>6 you know, what we did.</p> <p>7 Q So he was aware that brokers were</p> <p>8 telling customers to refer to the net liquidating</p> <p>9 value when assessing the value of their accounts,</p> <p>10 correct?</p> <p>11 A Yeah.</p> <p>12 Q So, Mr. Stemper, you know, earlier</p> <p>13 you testified that you weren't managing accounts</p> <p>14 at the beginning of your time as a Long Leaf broker</p> <p>15 and that your duties changed a little bit over time</p> <p>16 to where you were managing accounts, right?</p> <p>17 A Yes.</p> <p>18 Q As part of your account management</p> <p>19 duties, you know, would you interact with customers</p> <p>20 if they had questions about their account?</p> <p>21 A Yes.</p> <p>22 Q What other kinds of things would you do</p> <p>23 in your account management role?</p> <p>24 A Send out trade recommendations and get</p>

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1 approvals for those.
 2 Q Anything else?
 3 A Other than -- yeah, no. That's it I think.
 4 Q Well, the first category is pretty broad.
 5 You would email with customers?
 6 A Yeah.
 7 Q What is your understanding of how Long
 8 Leaf Trading's trade recommendations performed?
 9 A I don't know. What do you mean?
 10 Q What does the term performance mean
 11 to you when we're talking about trading options?
 12 A I guess it could be termed as a win or
 13 a loss.
 14 Q When I use the term performance
 15 going forward, unless I sort of redefine it, I mean
 16 net profit and loss. Do you understand?
 17 A Yeah, yep.
 18 Q What is your understanding of how
 19 Long Leaf's trading recommendations performed over
 20 time?
 21 A From my recollection, they did well. It
 22 was good performance and it went south.
 23 Q By "went south" you mean performed poorly,
 24 lost money on a net basis, right?

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1 A Yeah.
 2 Q And you just testified that you recall
 3 Long Leaf's trading recommendations performing well.
 4 When did Long Leaf's trading recommendations perform
 5 well?
 6 A I would say it was in 2019. I don't know
 7 the exact months.
 8 Q So you think there was some period of time
 9 in 2019 where Long Leaf's trading recommendations
 10 performed well, correct?
 11 A Yes.
 12 Q What about before 2019?
 13 A I didn't know much before. I don't know.
 14 Q You didn't pay attention to the performance
 15 of Long Leaf's trading recommendations before 2019,
 16 is that your testimony?
 17 A I know that there were good months
 18 and -- there were performance-wise winning months
 19 and I know performance-wise there were losing
 20 months, but it wasn't my primary focus.
 21 Q So let's talk about 2018 because
 22 I think you're sort of bucketing 2019 as a separate
 23 time period, is that fair, separating 2018 and 2019?
 24 A Sure.

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1 Q In 2018 your testimony is Long
 2 Leaf's performance was not your primary focus and
 3 you think there were some winning months and some
 4 losing months, correct?
 5 A Yeah.
 6 Q What about on the aggregate, up or down?
 7 A What do you mean?
 8 Q 2018 in the aggregate, do you think
 9 that Long Leaf's trading recommendations performed
 10 well or performed poorly?
 11 A I don't know.
 12 Q Do you remember anyone at Long Leaf
 13 in 2018 discussing the performance of Long Leaf's
 14 trading recommendations?
 15 A You said 2019?
 16 Q 2018.
 17 A No, not exactly. Not really.
 18 Q So I just want to clarify for the record,
 19 Mr. Stemper -- and this is maybe a fine point -- is
 20 your testimony about 2018's trading performance at
 21 Long Leaf, is your testimony that you don't know and
 22 never knew or you might have known at the time and
 23 now you don't remember?
 24 A At the time it really wasn't a part

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1 of my job and I didn't speak to clients, so I wasn't
 2 fully aware of all of that.
 3 Q So your testimony is that it wasn't part
 4 of a Long Leaf broker's job duties to understand the
 5 performance of the trading system in 2018, is that
 6 what you're saying?
 7 A Sure, yeah.
 8 Q And is that something that people
 9 at Long Leaf told you, like don't worry about the
 10 trading system, just go out and do the demos and the
 11 customs?
 12 A No.
 13 Q Well, were you ever curious about how the
 14 trades performed?
 15 A Yeah.
 16 Q Did you ask anyone?
 17 A I don't remember.
 18 Q Did you ever look for information
 19 that would give you an understanding of the
 20 performance of Long Leaf's trading in 2018 as you
 21 were performing your solicitation duties?
 22 A Say that again.
 23 Q In 2018 your job was to solicit,
 24 was primarily to solicit clients I think is your

<p style="text-align: right;">Page 89</p> <p>1 testimony, is that correct?</p> <p>2 A Yes.</p> <p>3 Q And you've also testified that</p> <p>4 it wasn't part of your job duties in 2018 to know</p> <p>5 how the trading system was performing, correct?</p> <p>6 A Yeah.</p> <p>7 Q And I think you've also testified</p> <p>8 that you may have wondered how it was doing but</p> <p>9 you didn't seek out any information about its true</p> <p>10 performance, is that right?</p> <p>11 A I just don't remember it being a focus of</p> <p>12 mine. I was focused on calling people and setting</p> <p>13 demos.</p> <p>14 Q And some of your demos and customs in 2018</p> <p>15 were successful, right?</p> <p>16 A I think so.</p> <p>17 Q Resulting in accounts being opened with</p> <p>18 Long Leaf?</p> <p>19 A Yeah.</p> <p>20 Q So you weren't curious to know</p> <p>21 how the Long Leaf recommendations were doing for</p> <p>22 the customers that you solicited?</p> <p>23 A I mean, I was curious but, like I said,</p> <p>24 I wasn't managing accounts so I wasn't dealing with</p>	<p style="text-align: right;">Page 91</p> <p>1 recollection is about when they started going bad?</p> <p>2 A I would be guessing.</p> <p>3 Q Was it the summer? Was it the fall?</p> <p>4 Was it the spring?</p> <p>5 A Fall, I would say.</p> <p>6 Q So your recollection is that Long</p> <p>7 Leaf's trading recommendations were doing pretty</p> <p>8 well for all of 2019 until the fall, is that fair?</p> <p>9 A Yes, but I don't remember exactly.</p> <p>10 Q I understand. You're going off sort of</p> <p>11 your recollection, right?</p> <p>12 A Yes.</p> <p>13 Q Okay. So CFTC Exhibit 278 is</p> <p>14 a PDF, a 45-page PDF, and we're going to do</p> <p>15 our best to go through it quickly. I just want</p> <p>16 to draw your attention to a few specific data</p> <p>17 points. But before we start, do you recognize this</p> <p>18 as a Cunningham account statement for one of your</p> <p>19 customers, Mr. Stemper?</p> <p>20 A Yeah. Could you zoom in a little bit?</p> <p>21 Q Yeah, let me know if this is better.</p> <p>22 A A little bit.</p> <p>23 Q And so you recognize this as the</p> <p>24 account statement of Mark Carmichael, your Long</p>
<p style="text-align: right;">Page 90</p> <p>1 the clients.</p> <p>2 MR. PLATT: So let's look at a document</p> <p>3 that I'm going to mark as CFTC Exhibit 278.</p> <p>4 (Whereupon CFTC Exhibit No. 278</p> <p>5 was marked for identification.)</p> <p>6 Q And before I show you this, I'd like</p> <p>7 to just make sure I understand your testimony</p> <p>8 correctly. In 2018 you didn't have an understanding</p> <p>9 of how Long Leaf Trading's trading system performed</p> <p>10 because in your view it wasn't part of your job,</p> <p>11 correct?</p> <p>12 A That's right.</p> <p>13 Q And then in 2019 you think</p> <p>14 there was a period of time where Long Leaf's</p> <p>15 trading recommendations performed well and then</p> <p>16 they performed poorly, correct?</p> <p>17 A Yes, yes.</p> <p>18 Q But you don't know -- do you remember</p> <p>19 approximately when they started performing well?</p> <p>20 Was it all of 2019?</p> <p>21 A I want to say it was from the beginning of</p> <p>22 2019 up until, you know, when things started going</p> <p>23 bad.</p> <p>24 Q Can you ballpark for me what your</p>	<p style="text-align: right;">Page 92</p> <p>1 Leaf customer, right?</p> <p>2 A Yes.</p> <p>3 Q And the date in the top left is October 29,</p> <p>4 2018, correct?</p> <p>5 A Yes.</p> <p>6 Q And month to date you can see everything's</p> <p>7 sort of zeroed out at 25,000. Is it fair to say</p> <p>8 that this is approximately when Mr. Carmichael</p> <p>9 opened his account?</p> <p>10 A Yes.</p> <p>11 Q And he funded it with \$25,000, which is --</p> <p>12 does this, you know, refresh your recollection that</p> <p>13 many of your customers funded accounts with \$25,000?</p> <p>14 A I don't know how many is, but I know some</p> <p>15 people did.</p> <p>16 Q That was a common amount for Long</p> <p>17 Leaf customers to fund accounts with, isn't that</p> <p>18 true?</p> <p>19 A Sure.</p> <p>20 Q So after one full month of trading --</p> <p>21 I'm just going to skip down just to save us time</p> <p>22 here. And I don't know if you can see there's tabs</p> <p>23 on the left, Mr. Stemper?</p> <p>24 A Yeah.</p>

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1 Q December 3rd, which is the first
 2 trading day in -- after one full month of trading
 3 for Mr. Carmichael's account, can you read the net
 4 liquidating balance into the record, please.
 5 A It's really hard to. Can you zoom in?
 6 I think it's 16,000.
 7 Q So the net liquidating balance
 8 on Carmichael's account for December 3, 2018
 9 is 16,934, right?
 10 A You have to go down. Yeah, yeah, I see it.
 11 Q So after one full month of trading it's
 12 down about \$8,000?
 13 A Yeah, I guess. I don't remember.
 14 Q Do you remember November of 2018 being
 15 a bad trading month for Long Leaf?
 16 A No, I don't remember it.
 17 Q Did you ever get, you know, emails
 18 from customers complaining about account losses
 19 in November of 2018?
 20 A I don't remember.
 21 Q So the next page I'm going to show
 22 you on CFTC Exhibit 278 is Carmichael's statement
 23 from January 2, 2019. Can you please read the net
 24 liquidating value into the record.

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1 A You're going to have to zoom in again.
 2 Q Let me try and do something here.
 3 Whoops, I don't want to do that. Does that help?
 4 No, I don't think so.
 5 MR. FALVEY: Actually, we're zooming, or
 6 Mr. Stemper is.
 7 BY MR. PLATT:
 8 Q You can zoom on your side?
 9 A Yeah, I did, yeah. It's easier but it's
 10 still blurry. I think it reads 15,889.
 11 Q So I'm just going to reopen this
 12 document and see if I can get it into better focus
 13 for you. Mr. Stemper, do you see Carmichael's
 14 January 2, 2019 statement?
 15 A No.
 16 Q You don't?
 17 A No.
 18 Q I'm sorry. Do you see it now?
 19 A Yeah.
 20 Q The net liquidating value for
 21 January 2, 2019 for Carmichael is \$15,889, right?
 22 A Yeah.
 23 Q So it's down another thousand dollars after
 24 December 2018 trading?

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1 A Right.
 2 Q Now we're going to go to February,
 3 February 1st statement for -- 2019 statement for
 4 Carmichael. The net liquidating value is \$14,997.
 5 Did I read that correctly?
 6 A Yep.
 7 Q So it's down another thousand after
 8 January 2019, Mr. Stemper?
 9 A Yeah.
 10 Q March 1, 2019, Carmichael's statement,
 11 the net liquidating value is \$14,032. Down another
 12 thousand dollars after February 2019's trading,
 13 is that correct?
 14 A Looks like it.
 15 Q April 1, 2019 statement, net liquidating
 16 value is \$9,704, correct?
 17 A Yep.
 18 Q So the trading activity from March 2019
 19 in Carmichael's account resulted in a \$4,000 loss,
 20 is that accurate?
 21 A Yeah.
 22 Q So now May 1, 2019, Carmichael's
 23 statement, the net liquidating value is \$11,242.
 24 There was a bit of an uptick there. Do you agree

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1 with that?
 2 A Yeah.
 3 Q June 3rd, Carmichael's statement, net
 4 liquidating value \$11,200?
 5 A Yeah.
 6 Q About net net. No real gains or losses
 7 for May 2019, is that a fair summary?
 8 A Yep.
 9 Q July 1st Carmichael's net liquidating
 10 value is \$9,643. Down over another thousand
 11 dollars, correct?
 12 A Yeah.
 13 Q That's for June 2019, right?
 14 A Yes.
 15 Q August 1, 2019, Carmichael's statement,
 16 net liquidating value \$9,081. So he's down again,
 17 down 600 bucks for July's trading activity, is that
 18 correct?
 19 A Yes.
 20 Q September 3rd, the net liquidating
 21 value after August's trading activity is up a little
 22 bit, \$9,835. So do you agree he made, you know,
 23 about 7 or \$800 for July -- for August's trading
 24 activity?

<p style="text-align: right;">Page 97</p> <p>1 A Yeah.</p> <p>2 Q October 1st, Mr. Carmichael's net</p> <p>3 liquidating value is \$9800 and -- \$9,893, correct?</p> <p>4 A Yeah.</p> <p>5 Q So not much changed between -- or after</p> <p>6 September's trading activity. It's another one</p> <p>7 that's sort of net net, pretty neutral, correct?</p> <p>8 A Yeah.</p> <p>9 Q So now we'll get to the fall,</p> <p>10 which I think is where you'll start to remember</p> <p>11 you characterized as the downturn. Net liquidating</p> <p>12 value for Carmichael after October 2019, the net</p> <p>13 liquidating value is \$3,745, is that right?</p> <p>14 A Yep.</p> <p>15 Q And so that is a loss of over \$6,000 for</p> <p>16 October 2019, right?</p> <p>17 A Yeah.</p> <p>18 Q So overall, Mr. Stemper, we've just</p> <p>19 reviewed Carmichael's statements that show he lost</p> <p>20 over \$21,000 in about a calendar year, right?</p> <p>21 A Yes.</p> <p>22 Q And Carmichael was your customer.</p> <p>23 Do you recall Carmichael following Long Leaf's</p> <p>24 trading recommendations?</p>	<p style="text-align: right;">Page 99</p> <p>1 Q Milne was your customer, correct?</p> <p>2 A He was given to me, yes.</p> <p>3 Q And from the point at which he was given</p> <p>4 to you forward, you were responsible for managing</p> <p>5 his account, right?</p> <p>6 A Yeah.</p> <p>7 Q So you can see Milne's September 25,</p> <p>8 2018 Cunningham account statement on your screen,</p> <p>9 right?</p> <p>10 A Yeah.</p> <p>11 Q It starts with the net liquidating value</p> <p>12 of \$27,528?</p> <p>13 A Okay.</p> <p>14 Q Is that correct?</p> <p>15 A Yeah. I wasn't managing it at this point.</p> <p>16 MR. PLATT: I just marked for the record</p> <p>17 I believe --</p> <p>18 Q Sorry, go ahead.</p> <p>19 A I wasn't managing him at this point.</p> <p>20 MR. PLATT: But for the record, I'm marking</p> <p>21 this document as CFTC Exhibit 279.</p> <p>22 (Whereupon CFTC Exhibit No. 279</p> <p>23 was marked for identification.)</p> <p>24 Q And, Mr. Stemper, your testimony was that</p>
<p style="text-align: right;">Page 98</p> <p>1 A What do you mean following?</p> <p>2 Q Long Leaf's -- or Carmichael's</p> <p>3 trading activity was based on Long Leaf's trading</p> <p>4 recommendations, correct?</p> <p>5 A Yes.</p> <p>6 Q And so month on month I think for this</p> <p>7 time period, October 2018 through November 2019,</p> <p>8 every single month was down except for two, which</p> <p>9 were relatively small increases. Is that an</p> <p>10 accurate summary?</p> <p>11 A Yeah.</p> <p>12 Q And from January 2019 through November 2019</p> <p>13 Carmichael lost \$13,000, right?</p> <p>14 A Yeah.</p> <p>15 Q Over half the value of his account in 2019</p> <p>16 was drained down, correct?</p> <p>17 A Yeah.</p> <p>18 Q You had a customer named Brian Milne,</p> <p>19 right?</p> <p>20 A I think so. These customers, I wasn't</p> <p>21 managing them for their entirety of being at Long</p> <p>22 Leaf.</p> <p>23 Q Milne was your customer, right?</p> <p>24 A Huh?</p>	<p style="text-align: right;">Page 100</p> <p>1 you agreed that this is Brian Milne's Cunningham</p> <p>2 account statement, correct?</p> <p>3 A Yeah.</p> <p>4 Q Starting balance of, at least as of</p> <p>5 September 25, 2018 the net liquidating value, over</p> <p>6 \$27,000. Then after one full month of trading,</p> <p>7 the November 1, 2018 statement reflects a net</p> <p>8 liquidating value of \$25,686, is that right?</p> <p>9 A Yeah.</p> <p>10 Q After November 2018's trading,</p> <p>11 the December 3, 2018 Milne statement reflects</p> <p>12 a net liquidating value of \$17,831, is that right?</p> <p>13 A Yeah.</p> <p>14 Q January 2nd, after the December 2018</p> <p>15 trading activity, net liquidating value is \$15,133,</p> <p>16 correct?</p> <p>17 A Yep.</p> <p>18 Q February 1st, after January 2019's</p> <p>19 trading activity, Mr. Milne's net liquidating value</p> <p>20 is \$14,034, is that right?</p> <p>21 A Yeah.</p> <p>22 Q After February 2019's trading activity</p> <p>23 we see Mr. Milne's net liquidating value is \$13,054,</p> <p>24 right?</p>

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1 A Yeah.

2 Q So down another thousand dollars on that

3 month. April 1st, consistent with Mr. Carmichael's

4 statement, we see on Mr. Milne's statement he

5 lost -- or, excuse me, he had a very, very bad

6 month in March of 2019. His net liquidating value

7 is \$8,725, correct?

8 A Yep.

9 Q The May 1st statement for your customer

10 Brian Milne reflects a net liquidating value of

11 \$8,673, right?

12 A Yes.

13 Q So that's, again, down month on month.

14 June 3, 2019, Cunningham account statement for your

15 customer Brian Milne reflects a net liquidating

16 value of \$5,944, is that right?

17 A Yep.

18 Q So now July 1, 2019, following June 2019's

19 trading activity, Mr. Milne's account reflects a net

20 liquidating value of \$1,659, is that right?

21 A Um-hmm, yeah.

22 Q August 1, 2019 statement, Mr. Milne's

23 net liquidating value following July 2019's trading

24 activity, \$2,024, right?

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1 A Yeah.

2 Q So a small gain for July of 2019.

3 I think we saw that with Carmichael too, he was

4 up a couple hundred bucks for that month. And then

5 the September 2, 2019 Milne statement after August

6 2019's trading activity is \$97, correct?

7 A Yeah.

8 Q October 1, 2019 statement, looks like he's

9 pretty much zeroed out at \$97, right?

10 A Yeah.

11 Q And Brian Milne followed Long Leaf's

12 trading recommendations, right?

13 A Yes.

14 Q And from September 2018 through

15 September 2019 we see the value of his account

16 pretty much wiped out completely, correct?

17 A Yep.

18 Q And from January 2019 through September

19 2019 you agree that Mr. Milne lost \$14,000?

20 A Yeah.

21 Q And there was one month in there

22 where Milne made a little bit of money, made about

23 400 bucks in July of 2019, correct?

24 A Um-hmm, yeah.

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1 MR. PLATT: I'm going to show you

2 what's been marked -- what I am marking as

3 CFTC Exhibit 280.

4 (Whereupon CFTC Exhibit No. 280

5 was marked for identification.)

6 Q Can you see on your screen an email

7 from Jim Donelson to you from December 27, 2018?

8 A Yeah.

9 Q The subject is Accounts and there's two

10 attachments, right?

11 A Yeah.

12 Q I'm going to scroll down and show

13 you the attachments, Mr. Stemper. The first looks

14 like a letter and it's addressed to Long Leaf

15 Trading Client, correct?

16 A Yeah.

17 Q We'll come back to this. But I'm going

18 to focus on the second attachment, I'm scrolling

19 down, which was a document titled Alex Accounts.

20 And this is the table that Mr. Donelson forwarded

21 to you in December of 2018. Do you recognize this?

22 A Yes.

23 Q What is this?

24 A What you just said it was.

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1 Q This is a document called Alex Accounts

2 sent to you by Donelson, correct?

3 A Yeah. It shows the balances of the

4 accounts that I inherited.

5 Q Which ones did you inherit?

6 A All of them.

7 Q Do you see on the left there's two

8 columns? One is titled Broker and the other is

9 titled New Broker. Do you see those two columns?

10 A Yeah.

11 Q And on the broker column there's

12 a bunch of fields that are populated with LLT002.

13 Do you see that?

14 A Yeah.

15 Q That's you, right?

16 A Yeah.

17 Q And there are some that are LLT028, right?

18 A Um-hmm. I inherited --

19 Q So those are the ones that you're

20 (inaudible) --

21 A -- those other ones before. Huh?

22 Q -- right? Sorry, I cut you off. What was

23 your response?

24 A I said I inherited all of them, but

<p style="text-align: right;">Page 105</p> <p>1 I inherited those ones with my broker ID before 2 this one. 3 Q I understand. And when did you inherit 4 the first tranche of customers? 5 A When Craig Pace got fired I think. I don't 6 remember exactly. 7 Q Do you remember approximately when that 8 was? 9 A No. 10 Q Was it in 2018? 11 A Yes. 12 Q Was it in the summer of 2018? 13 A I don't know. 14 Q So you had a set of customers that 15 you inherited from Pace, and then here it looks 16 like you're inheriting a new set of customers, is 17 that right? 18 A Yes. 19 Q Who did you inherit the customers from 20 in December of 2018? 21 A Either Andrew or Scott. 22 Q That's Nelson or Gecas, just to be clear? 23 A Yeah, yeah. 24 Q And so in the beginning cash balance</p>	<p style="text-align: right;">Page 107</p> <p>1 A They're less. 2 (Whereupon CFTC Exhibit No. 281 3 was marked for identification.) 4 Q I've marked CFTC Exhibit 281. Can you see 5 this email on your screen, Mr. Stemper? 6 A Yeah. 7 Q This is a June 5, 2019 email from 8 Donelson to you, Hatzigiannis and Cybulski, right? 9 A Yes. 10 Q And by June of 2019 you were the only three 11 brokers left, right? 12 A Yes. 13 Q Donelson attaches an Excel spreadsheet that 14 is titled Net Liq 6-3, right? 15 A Yeah. 16 Q Do you think he means June 3rd net 17 liquidating value? 18 A I think so. 19 Q I'm going to scroll down here. The 20 attachment to the email, we've turned it into a PDF, 21 and you can see there's a column on the left called 22 Broker and this first one is LLT001. Do you know 23 who that was? 24 A No.</p>
<p style="text-align: right;">Page 106</p> <p>1 on the right, what does that represent? 2 A How much cash they have in their account. 3 Q So 10 of the 18 accounts on this file have 4 less than \$5,000, right? 5 A Yes. 6 Q Only 5 of the accounts, 5 of the 18 7 accounts in this file have balances of greater than 8 \$10,000, right? 9 A Yeah. 10 Q It looks like Fred Peek is a new account, 11 right? 12 A Yeah. 13 Q Do you recall him being new at the time? 14 Did you solicit him? 15 A Yes. 16 Q And there's one account with a balance 17 of over \$20,000, right? 18 A Yes. 19 Q Do you think that the accounts -- the 20 account balances reflected on this file are more 21 or less than the amounts that these accounts were 22 funded with? 23 A Less. 24 Q A lot less, right?</p>	<p style="text-align: right;">Page 108</p> <p>1 Q Here we have LLT002. That's you, right? 2 A Yeah. 3 Q And then we see LLT003 and LLT017, right? 4 A Okay. 5 Q Do you know who 3 and 17 are? 6 A Well, if you scroll back down maybe. 7 I don't know. 8 Q Sure. 9 A Keep going down. I don't remember. 10 Q So this is a document that Donelson 11 created a little over six months after the Alex 12 Accounts spreadsheet that we just looked at, is that 13 right? 14 A Yes. 15 Q And you can see there's three 16 columns that have substantial information or 17 relevant information. There's the name of the 18 broker, there's the accountholder in the middle 19 and then there's the net liquidating value of the 20 account, correct? 21 A Yeah. 22 Q And for LLT002 -- I'm not sure if you 23 can see it all on your screen -- I'll represent to 24 you that there's 20 accounts. Does that sound about</p>

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1 right?
 2 A Yeah.
 3 Q Two appear to be closed, Hanson and
 4 D'Ambrosio. Those look like they're closed at this
 5 point?
 6 A Yes.
 7 Q Eleven of these accounts have net
 8 liquidating value under \$2,000, right?
 9 A Yes.
 10 Q Eighteen of your twenty accounts have
 11 net liquidating value under \$10,000, if I've counted
 12 them up right, is that correct?
 13 A Yeah.
 14 Q And it looks like Laws is pretty new around
 15 that time, is that your recollection?
 16 A Yes.
 17 Q None of the customers have net
 18 liquidating values above 25,000 as of June 2019,
 19 correct?
 20 A Yes.
 21 Q Laws is close but he's just opened his
 22 account. So I'm going to toggle back and forth
 23 between CFTC Exhibit 280 and CFTC Exhibit 281, which
 24 is this table. 280 is the Alex Accounts table that

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1 we just looked at that Donelson sent you in December
 2 of 2018. So what is the Gogineni account value as
 3 of December 22, 2018?
 4 A What did you say? Oh, I see.
 5 Q What is the value for -- I'm not
 6 sure if I'm pronouncing this accountholder's name
 7 correctly. It looks like Gogineni. Do you see
 8 that?
 9 A Yes. It reads 2,115.
 10 Q And then fast forward six months, what's
 11 the account value as of June 3, 2019?
 12 A There is no value. Oh, wait. 991.
 13 Q Let's go back to December 22, 2018.
 14 Accountholder Von Glinow, this is -- the balance
 15 is \$6,019, right?
 16 A Yeah.
 17 Q Fast forward to June 2019, Von Glinow's
 18 account value is \$670, right?
 19 A Yes.
 20 Q Samar, Customer Samar, in December
 21 2018 his account value is \$9530. Am I reading that
 22 correctly, this line here?
 23 A That's what it reads.
 24 Q Fast forward six months, Samar's account

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1 value is 5800, right?
 2 A That's what it reads.
 3 Q Let's go back to the Alex Accounts
 4 file. December 22, 2018, Customer Godwin, account
 5 value \$15,406, right?
 6 A That's what it reads.
 7 Q Do you have any reason to think that these
 8 account values are incorrect?
 9 A No.
 10 Q Okay. This is information you got from
 11 Donelson, right?
 12 A Yes.
 13 Q Fast forward six months, June 3, 2019,
 14 Godwin's account value is \$7,238, right?
 15 A Yes.
 16 Q Now let's look at Peek. This is
 17 a customer who you solicited and started -- funded
 18 his account with \$15,000 as of December 22, 2018.
 19 Fast forward in time to June 3, 2019, what is Peek's
 20 account balance? Can you read that, please, the
 21 third from the bottom.
 22 A Your cursor. It reads 8,720.
 23 Q Now let's look to Carmichael. We
 24 looked at his statements. As of December 22, 2018

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1 Donelson sent you his account balance and it was
 2 \$16,089, correct?
 3 A That's what it reads.
 4 Q June 2019 Donelson sends you Carmichael's
 5 account balance again. It's \$10,859, right?
 6 A That's what it reads.
 7 Q And Hanson's account is closed in June
 8 of 2019. As of December 2018 he had a little over
 9 \$21,000, right?
 10 A Yes.
 11 Q So it looks like your customers are
 12 performing poorly between December 22, 2018 and
 13 June 3, 2019. Do you agree with that?
 14 A That's what it seems, yeah.
 15 (Whereupon CFTC Exhibit No. 282
 16 was marked for identification.)
 17 Q I'm going to show you what's been marked
 18 as CFTC Exhibit 282. Exhibit 282, Mr. Stemper, is
 19 an email to you from your customer Alan Godwin on
 20 February 19, 2019, right?
 21 A Yes.
 22 Q The subject, all caps, IMPORTANT: Please
 23 Review my Account, correct?
 24 A Yes.

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1 Q Let's focus on this first paragraph
 2 from Mr. Godwin. He writes on July 23, 2018 Long
 3 Leaf received over \$28,000 from me. Within the past
 4 six months this account has dwindled below \$14,000
 5 (greater than 50 percent drop). Did I read that
 6 correctly?
 7 A Yes.
 8 Q So Godwin is describing losses that
 9 stretched back to July of 2018, right?
 10 A Say that again.
 11 Q Godwin is describing losses that stretched
 12 back to July of 2018, correct?
 13 A Yeah.
 14 Q Then down at the bottom, second paragraph
 15 from the bottom Godwin writes, "I am quite concerned
 16 about the way money has disappeared from my account,
 17 and I think this should be looked into more fully."
 18 Did you look into Godwin's trading losses?
 19 A I don't remember.
 20 Q Did you tell Donelson about your client's
 21 concerns?
 22 A Probably.
 23 Q How would you have told him about them?
 24 A I probably would have forwarded this email

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1 to him.
 2 Q Was that your normal practice, to forward
 3 customer emails to Mr. Donelson?
 4 A Yeah, I made him aware of everything of
 5 concern.
 6 Q Do you know if Donelson took any steps
 7 to look into these losses more fully?
 8 A I'm sure he did.
 9 Q What's your basis for that statement?
 10 Why do you think he did?
 11 A I just -- well, I don't know exactly.
 12 Q What kind of steps would Donelson
 13 have taken in the normal course after you forwarded
 14 him a customer email that discussed losses?
 15 A He would speak to the customer.
 16 Q What would he say?
 17 A I don't remember.
 18 Q What was the gist of it?
 19 A I don't remember.
 20 THE WITNESS: I think he's frozen.
 21 BY MR. PLATT:
 22 Q No, I'm sorry. I'm just taking a second
 23 to think. So you don't ever remember anything about
 24 what Donelson would do when you would tell him about

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1 substantial customer losses?
 2 A I just remember him talking to the
 3 customer.
 4 Q But you don't remember the content of those
 5 discussions?
 6 A No.
 7 Q Was it common for him to talk to customers
 8 about losses?
 9 A I don't know about common.
 10 Q How often did it happen?
 11 A I don't know.
 12 Q Once a week?
 13 A I don't know.
 14 Q Did it happen more than once?
 15 A Yeah.
 16 Q Did it happen more than ten times?
 17 A I don't know.
 18 Q But you remember Donelson talking
 19 to customers about losses at least one time, but
 20 you don't recall exactly how many times or even
 21 generally?
 22 A Yeah.
 23 Q Could it have been more than ten times?
 24 MR. FALVEY: Asked and answered.

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1 MR. PLATT: It's not asked and answered,
 2 Mr. Falvey.
 3 MR. FALVEY: Say again?
 4 MR. PLATT: It's not -- that question has
 5 not been asked.
 6 Q Mr. Stemper, is it possible that
 7 Mr. Donelson talked to customers about losses for
 8 more than ten times?
 9 A It's possible. I don't remember.
 10 Q Let's go back to CFTC Exhibit 281,
 11 which is the June 3rd net liquidating value table
 12 that Donelson sent you. In Exhibit 282 Godwin tells
 13 you that his account has gone down by more than
 14 half, so his account value as of February 19, 2019
 15 was \$14,000. Do you agree with that generally?
 16 A Yeah.
 17 Q Then in June of 2019 Godwin's account
 18 value is \$7238. Did I read that correctly?
 19 A Yes.
 20 Q So he lost another approximately \$7,000
 21 in the intervening three or four months, correct?
 22 A Yes.
 23 Q Did you respond to Mr. Godwin?
 24 A Yes. I don't remember what, though.

<p style="text-align: right;">Page 117</p> <p>1 Actually, I don't remember how we responded. 2 Q But you do remember that there was a 3 response provided to Mr. Godwin? 4 A Yes. At the very least Jim spoke to him. 5 Q And whatever was said by either 6 you or Mr. Donelson convinced Godwin to stick 7 with the program, right? 8 A Looks like it. 9 Q And he lost another \$7,000 between this 10 date and June 3, 2019, correct? 11 A Yeah. 12 MR. PLATT: I'll mark CFTC Exhibit 283 13 and share this with you. 14 (Whereupon CFTC Exhibit No. 283 15 was marked for identification.) 16 Q Do you see an email from Dan Heinemann 17 to you on December 27, 2018? 18 A Yeah. 19 Q Heinemann was one of your customers, right? 20 A Yeah. 21 Q Heinemann writes, "I'm down 80 percent 22 in two years. I hope you guys are getting your 23 transaction fees at least ..." Did I read that 24 correctly?</p>	<p style="text-align: right;">Page 119</p> <p>1 (Whereupon CFTC Exhibit No. 284 2 was marked for identification.) 3 Q This is a January 8, 2019 email from 4 Hatzigiannis to you, right? 5 A Yes. 6 Q And Hatzigiannis was another Long Leaf 7 broker, right? 8 A Yes. 9 Q And he's forwarding you an email, right? 10 A Looks like it. 11 Q And he's forwarding you an email from his 12 customer Dennis Nations, correct? 13 A Yeah. 14 Q The first two sentences of Mr. Nations' 15 email to Hatzigiannis are, "I am more than a little 16 upset by your very poor performance on my behalf. 17 Long Leaf/Cunningham Financial have managed to lose 18 all but \$400 of a trading account that I funded 19 with \$71,000 a little over a year ago." Did I read 20 that correctly? 21 A Yep. 22 Q Does this refresh your recollection 23 that Long Leaf brokers discussed trading losses? 24 A I don't know that we discussed it.</p>
<p style="text-align: right;">Page 118</p> <p>1 A Yes. 2 Q So over the life of his account, which 3 stretched back from -- you know, to before 2018, it 4 looks like his account is down 80 percent. Do you 5 agree with that reading? 6 A I don't know. 7 Q Do you have any reason to believe 8 that Heinemann was lying to you in this email? 9 A No. 10 Q Is this the kind of email that you would 11 have forwarded to Donelson, that kind of complaint? 12 A Yes, I would have let him -- made him 13 aware. 14 Q Either by forwarding or verbally? 15 A Yeah. 16 Q Did you ever discuss customer complaints 17 with other brokers? 18 A I don't remember. 19 Q Did you ever forward customer emails 20 discussing trading losses to other brokers? 21 A I don't remember. 22 MR. PLATT: I'm going to share with 23 you a document that's being marked CFTC 24 Exhibit 284.</p>	<p style="text-align: right;">Page 120</p> <p>1 I don't remember this. 2 Q Does this refresh your recollection 3 that Long Leaf brokers forwarded customer complaints 4 among one another? 5 A Maybe in this circumstance, but I don't 6 know about anything else. 7 Q Why do you think Mr. Hatzigiannis forwarded 8 you Customer Nations' complaint in January of 2019? 9 A I don't know. 10 Q Do you remember discussing Mr. Nations' 11 account with Hatzigiannis? 12 A No. 13 Q What is your understanding -- 14 and keep in mind that we've just reviewed some 15 emails from early 2019 and late 2018 where customers 16 report losses of 80, 50 and 97 percent of their 17 account's value. What is your understanding of the 18 performance of Long Leaf Trading's recommendations 19 in 2018? 20 A They ended up in losses overall. 21 Q Have we looked at any documents yet 22 that would suggest that any customers' accounts 23 performed well over any significant stretch of time? 24 A No.</p>

<p style="text-align: right;">Page 121</p> <p>1 Q Do you have any reason to believe 2 that any customers' accounts performed well over 3 any significant stretch of time? 4 A Yeah. 5 Q What is your basis for that belief? 6 A I just remember there being 7 a string of good trades that were positive for 8 clients. I don't know if all the clients were in 9 on those trades or not but ... 10 Q All the clients got the same trading 11 recommendations, right? 12 A No, not all of them, now that I think 13 about it. 14 Q Well, it your testimony earlier. Can you 15 clarify how they differed among clients? 16 A Yeah, I was -- when you asked me the 17 question earlier, I was thinking about the beginning 18 of my tenure there, but towards the end Jim started 19 recommending different trades for different clients. 20 Not all the clients were included into all the 21 trades. 22 Q What was Donelson's basis for excluding 23 some customers from some trading recommendations? 24 A I'm not sure. Might have to do with how</p>	<p style="text-align: right;">Page 123</p> <p>1 A Infrequent? 2 Q It did not happen often, correct? 3 A I wouldn't agree with that. 4 Q Mr. Stemper, earlier you testified that 5 all the trades that were recommended were the same 6 to all the customers. How can you now say that he 7 was just sending out different recommendations to 8 different customers? It doesn't make any sense. 9 A Well, like I just told you, Joseph, 10 when you asked me the question to begin with, I was 11 thinking of when I first started with Long Leaf and 12 all the trade recommendations were exactly the same 13 for all the customers, and then at one point Jim was 14 offering different trades to different clients. 15 That is what I stand by. 16 Q And you think that that happened often 17 where different clients got different trades? 18 A I don't know exactly. 19 Q How many times did it happen? 20 A I don't know. 21 Q More than once? 22 A Yes. 23 Q More than ten times? 24 A I don't know.</p>
<p style="text-align: right;">Page 122</p> <p>1 much was in their account. 2 Q But it was still the case that if 3 Donelson disseminated a trading recommendation to 4 a subset of customers, the recommendation was always 5 the same, right? 6 A I don't know. 7 Q Well, you sent the trading recommendations, 8 right, Mr. Stemper? 9 A Yeah. 10 Q So do you remember Donelson saying 11 here is Trade A for Customer 1, here's Trade B for 12 Customer 2 and those trades were different? Do you 13 ever remember a single time that happening? 14 A Yeah. 15 Q Okay. Describe that to me. When did 16 that happen? 17 A When? 18 Q Yeah. When did that happen? 19 A I don't know exactly when. 20 Q What were the differences between the 21 trades? 22 A I don't remember. 23 Q It's very infrequent that that occurred, 24 correct?</p>	<p style="text-align: right;">Page 124</p> <p>1 Q How did you know that Donelson was 2 sending out different recommendations to different 3 customers? 4 A Because I think a couple of my clients 5 got those different trades and some clients of the 6 other brokers got those trades. 7 Q Are you aware of any customer accounts 8 that made money over the life of their existence? 9 A I know there was a period of time 10 where customer accounts were making money, yes. 11 Q Which customer accounts made money? 12 A I think Michael Laws made money for 13 a period of time and another client that wasn't 14 my customer. 15 Q Okay. We'll go back and look at 16 Mr. Laws' statements a little later. Over the 17 life of their accounts are you aware of any Long 18 Leaf customers that made money? 19 A I don't remember. 20 Q Do you think you would remember if such 21 a thing happened? 22 A I don't know. 23 Q Did Donelson -- so let me back up. 24 You described Donelson sending out different</p>

<p style="text-align: right;">Page 125</p> <p>1 recommendations to different customers based 2 on the amount of equity that was in their account. 3 Did Donelson talk directly to those customers? 4 A I'm sure he did. 5 Q What did he talk about with them? 6 A I don't remember. 7 Q And who are the clients that you remember 8 getting different trades? 9 A Like I said, Michael Laws, and I can't 10 remember any -- who else. 11 Q Did those trade recommendations go through 12 you, Mr. Stemper? 13 A What do you mean? 14 Q Earlier you testified that you emailed 15 out trade recommendations to customers. Did you 16 email out this subset of trades where Donelson only 17 sent trade recommendations to a handful of customers 18 based on the amount of equity in their accounts? 19 A Yeah, I would email them out. 20 Q Approximately how many of the customers 21 got those special trades? 22 A I don't remember. 23 Q Was it more than five customers? 24 A I would say yeah.</p>	<p style="text-align: right;">Page 127</p> <p>1 A I don't know. 2 Q Well, Mr. Stemper, do you remember 3 any customers making money between January 2019 4 and June 2019? 5 A January 2019? I do remember people 6 making money, yeah. 7 Q Well, we just looked at like 6 of a 8 total of 20 and they were all more than 50 percent 9 drawdowns. So which ones made money? 10 A I know there was a customer that wasn't 11 my client that made money. 12 Q Okay. Who was it? 13 A I don't remember his name. 14 Q Whose client was it? 15 A Ben's. 16 Q Ben Cybulski's client made money in 17 the January 2019 through June 2019 time period? 18 A I don't know exactly. I just know -- 19 I remember him making money, and I remember there 20 were periods of time when people did make money. 21 Q But not for your customers for the 22 period of January 2019 through June 2019, correct? 23 Those customers lost money in that six-month time 24 period?</p>
<p style="text-align: right;">Page 126</p> <p>1 Q More than ten customers? 2 A I don't know. 3 Q So your testimony, Mr. Stemper, is 4 you don't know if any customers made money over 5 the life of their accounts at Long Leaf, is that 6 correct? 7 A Say that again. 8 Q Is your testimony that you do not 9 know if any customers made money over the life of 10 their accounts at Long Leaf? 11 A Yeah, I don't know. Long Leaf was open 12 long before I started working there. 13 Q Okay. Let's focus on the time period 14 when you worked at Long Leaf. When you worked at 15 Long Leaf, are you aware of any customers that made 16 money following Long Leaf's trading recommendations 17 over the life of their accounts? 18 A I don't remember any. 19 Q And we've looked at a bunch of exhibits 20 now that show massive drawdowns across all of your 21 customers, correct, for the period of January 2019 22 through June 2019, is that right? 23 A You showed me a couple of them. 24 Q Should we go back and look at all of them?</p>	<p style="text-align: right;">Page 128</p> <p>1 A The ones that you showed me, yeah. 2 Q Can you name a customer who made money 3 during that time period? 4 A Like I say, I remember Michael Laws 5 having some good returns on trades. I don't know 6 if it was -- I don't think it was overall, you 7 know, he made more than he started with, but I know 8 he was making money on good trades. I don't know. 9 Q So I want to be very careful and 10 distinguish between making money on some trades 11 and making money on a net basis after tallying up 12 all the trades. So I'm not interested in whether 13 some trades won some of the time at Long Leaf. 14 Does that make sense? You've got to give a verbal 15 answer, Mr. Stemper. Sorry. 16 A Yes. 17 Q I'm interested in whether or not you 18 remember any customers making money in the aggregate 19 for any period of time. I think you've mentioned 20 Michael Laws, but we'll look at his statements 21 later. Any other customers besides Laws? 22 A I can't remember their names. 23 Q But you think customers -- there were 24 other customers who you think made money?</p>

<p style="text-align: right;">Page 129</p> <p>1 A I think there's at least one.</p> <p>2 Q Was it your customer?</p> <p>3 A No.</p> <p>4 Q So none of your customers, except maybe</p> <p>5 Laws, ever made money, correct?</p> <p>6 A After starting balance, no.</p> <p>7 Q Yeah, I think that's the important</p> <p>8 marking point for purposes of our discussion. So</p> <p>9 you discussed a customer of Cybulski's that made</p> <p>10 money. How did you learn about that?</p> <p>11 A I just remember it being spoke of.</p> <p>12 Q Who spoke of it?</p> <p>13 A Jim, I think.</p> <p>14 Q What did Jim say about it?</p> <p>15 A I don't remember.</p> <p>16 Q I'd like to turn back to the email</p> <p>17 that Donelson sent you and the brokers in June</p> <p>18 of 2019. And we saw there were three brokers as</p> <p>19 of that date, right?</p> <p>20 A Yeah.</p> <p>21 Q And in Donelson's December 2017 sales</p> <p>22 meeting there were, I don't know, eight or nine</p> <p>23 brokers, is that fair?</p> <p>24 A Yeah.</p>	<p style="text-align: right;">Page 131</p> <p>1 A Yeah.</p> <p>2 Q What did he say?</p> <p>3 A I don't remember exactly what he said.</p> <p>4 I just know that I had faith. He's a smart person</p> <p>5 and I trusted him.</p> <p>6 Q When did you have this conversation</p> <p>7 with Mr. Donelson?</p> <p>8 A I don't remember.</p> <p>9 Q Was it in 2019?</p> <p>10 A Probably.</p> <p>11 Q And he knew that customers were losing</p> <p>12 money, right?</p> <p>13 A Um-hmm.</p> <p>14 Q So you both sit down?</p> <p>15 A Yeah.</p> <p>16 Q Did this conversation happen in the office?</p> <p>17 A Yeah. It might -- it might not have been</p> <p>18 just between Jim and I.</p> <p>19 Q The whole group?</p> <p>20 A Yeah.</p> <p>21 Q So there's a group meeting. Who was there</p> <p>22 Cybulski, Hatzigiannis and Jim?</p> <p>23 A Yeah.</p> <p>24 Q Was Vicki there?</p>
<p style="text-align: right;">Page 130</p> <p>1 Q Why did they all leave?</p> <p>2 A They were fired, I want to say.</p> <p>3 Q They were all fired?</p> <p>4 A Yeah.</p> <p>5 Q None of them left voluntarily?</p> <p>6 A Connor, he left voluntarily.</p> <p>7 Q That's Connor Campo, right?</p> <p>8 A Yeah.</p> <p>9 Q Why did Connor Campo leave?</p> <p>10 A He got a different job.</p> <p>11 Q Did you ever hear other brokers discussing</p> <p>12 customer losses in the office?</p> <p>13 A I don't really remember.</p> <p>14 Q You don't remember the specific</p> <p>15 conversations or you don't remember whether or</p> <p>16 not people discussed customer losses?</p> <p>17 A Both.</p> <p>18 Q Did it concern you that all your customers</p> <p>19 lost money over time, Mr. Stemper?</p> <p>20 A Yeah.</p> <p>21 Q So what did you do about that concern?</p> <p>22 Did you talk to Donelson? Did you ever say, hey,</p> <p>23 Jim, all my customers are losing money. What are we</p> <p>24 going to do about this?</p>	<p style="text-align: right;">Page 132</p> <p>1 A She might have been.</p> <p>2 Q This is a team meeting sometime in 2019.</p> <p>3 Was it early in 2019 or like midway through 2019?</p> <p>4 A I don't remember.</p> <p>5 Q You can't ballpark it?</p> <p>6 A What was that?</p> <p>7 Q You can't ballpark, you know, approximately</p> <p>8 when the conversation took place? It sounds like a</p> <p>9 big event.</p> <p>10 A No, no, I don't remember exactly.</p> <p>11 Q So what was said at this meeting to</p> <p>12 discuss customer losses between the entire Long</p> <p>13 Leaf staff?</p> <p>14 A I can't remember what was said.</p> <p>15 Q Were there any, you know, documents shared</p> <p>16 among you guys?</p> <p>17 A I don't know.</p> <p>18 Q Was there a sense in the room that</p> <p>19 everybody understood that customers were losing</p> <p>20 money at that point?</p> <p>21 A I don't know.</p> <p>22 Q Well, what was the purpose of the meeting?</p> <p>23 A I don't think it was a meeting. I just</p> <p>24 think people were talking.</p>

<p style="text-align: right;">Page 133</p> <p>1 Q What was the purpose of the discussion?</p> <p>2 A I don't think there was a purpose.</p> <p>3 Q What topics were discussed?</p> <p>4 A I don't know all the topics.</p> <p>5 Q Customer losses were one of them, right?</p> <p>6 A A concern for that.</p> <p>7 Q Yeah. So did Donelson ever tell you,</p> <p>8 no, I don't think customers are losing money? Was</p> <p>9 that his response?</p> <p>10 A No.</p> <p>11 Q But he had knowledge that, yeah, customers</p> <p>12 are losing money and I'm worried about it, is that</p> <p>13 fair?</p> <p>14 A I don't know.</p> <p>15 Q What was his tone? What did he say?</p> <p>16 A I don't remember exactly.</p> <p>17 Q What did you say?</p> <p>18 A I don't remember what I said. I recall --</p> <p>19 Q Sorry, I cut you off. Go ahead.</p> <p>20 A I was just concerned that our trades</p> <p>21 weren't going well when they weren't.</p> <p>22 Q And you have no recollection of</p> <p>23 what Donelson said in response to that concern?</p> <p>24 A Something along the lines to ease our</p>	<p style="text-align: right;">Page 135</p> <p>1 (Whereupon a lunch recess was taken</p> <p>2 from 12:12 p.m., to 1:04 p.m., after</p> <p>3 which the following proceedings were</p> <p>4 had:)</p> <p>5 A F T E R N O O N S E S S I O N</p> <p>6 ALEXANDER STEMPER,</p> <p>7 called as a witness herein, having been previously</p> <p>8 sworn and examined, testified further as follows:</p> <p>9 DIRECT EXAMINATION (Cont'd.)</p> <p>10 BY MR. PLATT:</p> <p>11 Q Mr. Stemper, I'd like to turn to two</p> <p>12 documents we looked at earlier, CFTC Exhibit 280</p> <p>13 and CFTC Exhibit 281. And 280 is the document that</p> <p>14 Donelson sent you in December of 2018 showing your</p> <p>15 customers' cash balances as of that date, and 281 is</p> <p>16 the document Donelson sent you in June of 2019 with</p> <p>17 your customers' cash balances.</p> <p>18 Now, for the record -- and we are in a</p> <p>19 videoconference setting due to the Coronavirus -- I</p> <p>20 think Mr. Falvey has CFTC Exhibit 280 on his monitor</p> <p>21 so you can see that document, and I'm going to share</p> <p>22 CFTC Exhibit 281 with you through my computer so you</p> <p>23 can see that document and that way you can look at</p> <p>24 them side by side. Whoops, shared the wrong doc</p>
<p style="text-align: right;">Page 134</p> <p>1 concerns.</p> <p>2 Q How did he ease your concerns?</p> <p>3 A I don't remember exactly.</p> <p>4 Q Did Donelson tell you that customers</p> <p>5 were making money at that discussion?</p> <p>6 A No.</p> <p>7 Q Did he discuss like a plan forward,</p> <p>8 this is how we're going to make money for clients?</p> <p>9 A Maybe his trading strategy.</p> <p>10 MR. PLATT: So this might be a good time</p> <p>11 to take lunch.</p> <p>12 MR. FALVEY: Okay.</p> <p>13 MR. PLATT: Do you guys want to take</p> <p>14 a break?</p> <p>15 THE WITNESS: Yeah, sure.</p> <p>16 MR. PLATT: So I really don't want to</p> <p>17 go to like 6 o'clock. So if we can make this --</p> <p>18 can we all get back by 1 p.m.?</p> <p>19 MR. FALVEY: Yeah.</p> <p>20 MR. PLATT: Great, thank you.</p> <p>21 THE WITNESS: Yeah.</p> <p>22 MR. FALVEY: Yeah, sounds good.</p> <p>23 MR. PLATT: See you shortly.</p> <p>24</p>	<p style="text-align: right;">Page 136</p> <p>1 there.</p> <p>2 MR. FALVEY: Yeah, I was going to say</p> <p>3 it didn't look right.</p> <p>4 BY MR. PLATT:</p> <p>5 Q So I'm sharing document -- or CFTC</p> <p>6 Exhibit 281. Can you see that clearly, Mr. Stemper?</p> <p>7 A Yes.</p> <p>8 MR. FALVEY: Let me see if I can get</p> <p>9 it a little bigger even or -- shoot. I didn't</p> <p>10 mean to do that. Yep.</p> <p>11 BY MR. PLATT:</p> <p>12 Q So before lunch we discussed -- or</p> <p>13 I drew your attention to a handful of customers'</p> <p>14 balances between December 22, 2018 and June 3, 2019,</p> <p>15 and there was some question regarding whether or not</p> <p>16 that was an exhaustive set. So now, Mr. Stemper,</p> <p>17 I want to give you an opportunity to look at both</p> <p>18 documents side by side, and I want you to take your</p> <p>19 time and let us know if you see any balances for</p> <p>20 any of your customers that increased between</p> <p>21 December 22, 2018 and June 3, 2019.</p> <p>22 So just go ahead and let us know</p> <p>23 when you've had a chance to review for that purpose.</p> <p>24 And if I need to scroll my document down, just let</p>

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1 me know.

2 MR. FALVEY: Okay. Just a quick question,
3 Mr. Platt. Is there just one column in the
4 document that you have up with the --

5 MR. PLATT: Yeah, and I'll scroll
6 to the right.

7 MR. FALVEY: Okay.

8 MR. PLATT: It's just one. You can see
9 there's --

10 MR. FALVEY: Okay.

11 MR. PLATT: -- you know, no substantial
12 information to the right of where the screen
13 is focused.

14 MR. FALVEY: Okay, perfect.

15 A I don't see what you're -- I don't see
16 any that have increased. That was your question?

17 BY MR. PLATT:

18 Q Correct. And that's all of your accounts
19 for this time period, correct, Mr. Stemper?

20 A From December 2018 to what date?

21 Q The second document is dated June 3, 2019.

22 A All right. Okay.

23 Q Do you agree that these two documents
24 reflect all of your customers as of those dates?

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1 A Yeah, I think so.

2 MR. PLATT: Okay. Mr. Falvey, you can
3 put that aside. That's all I really wanted
4 to do there.

5 A There's just some people that aren't on
6 the list that are on this list to the left.

7 Q Okay. And if I scroll down, are they on
8 there?

9 A Yeah.

10 MR. FALVEY: Oh, they're there, yeah.

11 BY MR. PLATT:

12 Q And do you see any that increased?
13 I have the June document. Mr. Falvey has the
14 December document.

15 A No.

16 Q Do you see any in that subset that
17 were off of the page originally that had values
18 that increased in that time period?

19 A No.

20 Q And we see Mr. Laws' account. He's a
21 new account?

22 A Right.

23 MR. FALVEY: Yeah.

24

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1 BY MR. PLATT:

2 Q And I think your testimony was you
3 thought that Laws' account increased for some period
4 of 2019, is that accurate?

5 A Yes. I don't know -- I don't think it
6 ever exceeded 25,000, though.

7 Q Okay. So there was really no time where
8 Laws experienced net gains, correct?

9 A Yeah.

10 MR. FALVEY: I put the other one away.
11 Is that okay, Jody?

12 MR. PLATT: Yeah, that's fine.

13 We're done with those exhibits. Thank you
14 for facilitating, Mr. Falvey.

15 MR. FALVEY: Yeah, no problem.

16 BY MR. PLATT:

17 Q Mr. Stemper, did prospective customers
18 ever ask you about the performance of Long Leaf
19 Trading's trading program?

20 A Yes.

21 Q What did you tell them?

22 A I don't remember exactly what we said.

23 Q Did you provide information that would
24 describe Long Leaf Trading's performance history?

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1 A I don't really remember what exactly
2 was shared.

3 Q Do you remember that some things were
4 shared?

5 A Yeah, I just don't know what was shared.

6 Q Did Donelson know that prospective
7 customers requested performance information?

8 A Yes.

9 Q What did Donelson tell you to respond
10 to clients with when they asked about performance?

11 A I don't remember.

12 Q Was there ever a rule within Long Leaf
13 that you were not permitted to share track record
14 information because it was against regulations?

15 A Say that again.

16 Q You know what, strike that question.
17 It was a poorly formed question. I'm going to
18 show you a document instead.

19 MR. PLATT: So I'm marking CFTC
20 Exhibit 285.

21 (Whereupon CFTC Exhibit No. 285
22 was marked for identification.)

23 Q And this is an email from you to Donelson,
24 you know, on October 24th of 2018, right?

<p style="text-align: right;">Page 141</p> <p>1 A Yeah.</p> <p>2 Q And I'm going to scroll down to the</p> <p>3 bottom of the chain. There's some blue text. It</p> <p>4 looks like a prospective customer is emailing you.</p> <p>5 Do you agree with that?</p> <p>6 A Yeah.</p> <p>7 Q He's asking for information about how</p> <p>8 the strategies work?</p> <p>9 A Okay.</p> <p>10 Q Do you agree?</p> <p>11 A Yep.</p> <p>12 Q And you forward this to Donelson.</p> <p>13 I'm scrolling up a little bit, and let me know</p> <p>14 if you can't follow. You say, "Good Morning, Jim.</p> <p>15 Under regulations what can I send this gentleman?"</p> <p>16 Why would a regulation restrict your ability to</p> <p>17 provide information to a prospective customer?</p> <p>18 A I don't remember.</p> <p>19 Q Do you remember withholding</p> <p>20 information from prospective customers on the</p> <p>21 basis of regulations or rules?</p> <p>22 A No.</p> <p>23 Q Well, it looks in this document like</p> <p>24 that would be the basis why you would only provide</p>	<p style="text-align: right;">Page 143</p> <p>1 Q What are you sure about?</p> <p>2 A Huh?</p> <p>3 Q What are you sure about?</p> <p>4 A I'm just not sure.</p> <p>5 Q Well, sitting here today reading</p> <p>6 the words that you wrote where you say under</p> <p>7 regulations what can I send, what do you think</p> <p>8 that means?</p> <p>9 A I was just asking what I was allowed</p> <p>10 to send. That's it.</p> <p>11 Q But you're omitting the first clause</p> <p>12 in the sentence, Mr. Stemper, where you say under</p> <p>13 regulations what can I send. So what regulations</p> <p>14 are you talking about?</p> <p>15 A NFA potentially.</p> <p>16 Q Yeah. And what about NFA regulations</p> <p>17 would apply in this instance?</p> <p>18 A I'm not sure.</p> <p>19 Q Why would you have thought that?</p> <p>20 A I don't remember.</p> <p>21 Q Sitting here today do you think that</p> <p>22 NFA regulations restrict the kind of information</p> <p>23 that you could have provided to a prospective</p> <p>24 client?</p>
<p style="text-align: right;">Page 142</p> <p>1 some information but not other information, right?</p> <p>2 A Say that again.</p> <p>3 Q In this document you're asking</p> <p>4 Mr. Donelson what you're allowed to send, correct?</p> <p>5 A Yes.</p> <p>6 Q And the basis of that request</p> <p>7 is you think some information is not allowed to</p> <p>8 be circulated by regulations, correct?</p> <p>9 A I don't know that.</p> <p>10 Q How do you read it? It's your words,</p> <p>11 Mr. Stemper.</p> <p>12 A What's that?</p> <p>13 Q How do you read this email? These</p> <p>14 are your words that you wrote to Donelson. How do</p> <p>15 you read it?</p> <p>16 A What do you mean?</p> <p>17 Q What do regulations have to do with</p> <p>18 providing information about the trading strategy?</p> <p>19 A I don't remember. I don't remember this</p> <p>20 particular case or what it was about.</p> <p>21 Q What about generally? Generally did</p> <p>22 you think that regulations restricted your ability</p> <p>23 to circulate information to prospects?</p> <p>24 A Not sure.</p>	<p style="text-align: right;">Page 144</p> <p>1 A I'm not sure what you mean.</p> <p>2 Q What's unclear about it?</p> <p>3 A I mean, could you repeat it?</p> <p>4 Q Sitting here today do you believe that</p> <p>5 NFA regulations restrict the kind of information</p> <p>6 that a broker can provide to a prospective client?</p> <p>7 A I don't know. I'm not sure.</p> <p>8 Q But you wrote it to Mr. Donelson anyway,</p> <p>9 right?</p> <p>10 A Okay.</p> <p>11 Q Right?</p> <p>12 A Okay, yeah.</p> <p>13 Q But you didn't -- you don't</p> <p>14 remember why you wrote it, you don't know why</p> <p>15 you wrote it now, and you can't think of a reason</p> <p>16 why a regulation would impact Long Leaf's ability</p> <p>17 to provide information to customers, is that your</p> <p>18 testimony?</p> <p>19 A I'm not sure. I'm a little confused.</p> <p>20 Q How do regulations impact Long Leaf's</p> <p>21 ability to send information to customers?</p> <p>22 A How does it?</p> <p>23 Q Yeah, how.</p> <p>24 A Drawing a blank.</p>

<p style="text-align: right;">Page 145</p> <p>1 Q Well, you wrote those words, 2 Mr. Stemper. It's not -- I'm not making it up. 3 This is your email that you wrote to your boss -- 4 A Yeah. 5 Q -- in the course of performing your duties. 6 So what did you mean? 7 A I don't remember. 8 MR. PLATT: I'm going to mark CFTC 9 Exhibit 286. 10 (Whereupon CFTC Exhibit No. 286 11 was marked for identification.) 12 Q Let me just turn back to the email 13 we just looked at. I think you testified that, you 14 know, maybe NFA rules applied in that situation, 15 is that fair? 16 A Sure. 17 Q Do you understand that NFA has rules 18 regarding sales practices? 19 A Yes. 20 Q Do you have an understanding that 21 those rules prohibit the provision of certain kinds 22 of information to prospective customers? 23 A I don't remember what they are. 24 Q Okay. I'm going to share CFTC</p>	<p style="text-align: right;">Page 147</p> <p>1 to provide information to Donelson about prospects? 2 A Yes. 3 Q One of the things that Richard -- 4 that you're providing to Donelson about prospect 5 Richard Johnson is that he wants to know, "What 6 kind of returns and what am I getting out of it?" 7 Did I read that correctly from that third to the 8 bottom bullet point? 9 A Yeah. 10 Q He's asking about returns, right? 11 A Yes. 12 Q So this next -- this next, third 13 email in this group exhibit is from Gary D to 14 you on March 14, 2019, and it looks like he's a 15 prospective customer. You don't recognize this 16 guy's name, right? 17 A No. 18 Q And he's responding to an email that 19 you wrote on March 13, 2019 at 3:02 p.m. In the 20 middle of this page you write to a prospect, "I was 21 planning on showing you a performance review of our 22 cash management strategy when we spoke. It would 23 not go back as far as two years because the strategy 24 has not been traded within our company for that</p>
<p style="text-align: right;">Page 146</p> <p>1 Exhibit 286 with you. This is a group exhibit. 2 I'm just going to go through these one by one. 3 The top email is from a person named Martin Postma 4 to you from October 27, 2018, right? 5 A Yep. 6 Q Postma says in the first paragraph 7 what I am requesting is a more comprehensive 8 description of the strategies that are used and 9 the circumstances that you use to -- that you look 10 for to implement them, is that right? 11 A Yes. 12 Q And down at the bottom this prospective 13 customer writes, "Also of great importance will 14 be a summary of all positions and their resulting 15 profit/loss over the course of time (at least a 16 year)." Did I read that correctly? 17 A Yep. 18 Q I'm going to scroll down to the 19 second email in this group exhibit. This is from 20 you to Donelson on December 6, 2018. The subject 21 line is Prospect - Richard Johnson. Did I read that 22 correctly? 23 A Yes. 24 Q Was this part of your normal practices,</p>	<p style="text-align: right;">Page 148</p> <p>1 long." Did I read that correctly? 2 A Yeah. 3 Q And that's in response to Gary D asking 4 for a review of the trading performance results of 5 the last few years. Did I read that email 6 correctly? 7 A Yes. 8 Q You say that you want to provide 9 him some information but you can't go back beyond 10 whenever the cash management strategy started, 11 right? 12 A Yep. 13 Q And then finally we have an email 14 from prospect Tim Sullivan to you from April 8, 15 2019. There's this big, long solicitation email 16 from you, which you may or may not recognize. I 17 should just ask you do you recognize this kind 18 of solicitation email that you sent out? 19 A Yeah, kind of. 20 Q Not this specific email, Mr. Stemper. 21 Just generally did you send out emails of this kind? 22 A Yeah. 23 Q Mr. Sullivan, the prospective customer, 24 responds one sentence, "Can you send me your track</p>

<p style="text-align: right;">Page 149</p> <p>1 record," right?</p> <p>2 A Um-hmm.</p> <p>3 Q So I'm going to go back up to the</p> <p>4 first email in the exhibit. That's from prospective</p> <p>5 customer Martin Postma. Did you provide Postma</p> <p>6 with a profit and loss summary?</p> <p>7 A Say that again.</p> <p>8 Q Did you provide your prospective</p> <p>9 customer Postma with a profit and loss summary</p> <p>10 as he requested?</p> <p>11 A I don't remember.</p> <p>12 Q What information did you provide to Postma</p> <p>13 in response to this email?</p> <p>14 A I am not sure.</p> <p>15 Q Was there a profit and loss summary at Long</p> <p>16 Leaf Trading to use for the purpose of providing to</p> <p>17 prospective customers?</p> <p>18 A For the cash management strategy,</p> <p>19 I believe so. I forgot about that cash management.</p> <p>20 Q So you might have sent that to Postma?</p> <p>21 A I don't know.</p> <p>22 Q You don't know if you provided that</p> <p>23 information to this -- well, look at the date.</p> <p>24 Will that sort of help you understand whether or</p>	<p style="text-align: right;">Page 151</p> <p>1 in a document?</p> <p>2 A Jim created it.</p> <p>3 Q Did he create them regularly?</p> <p>4 A Not sure.</p> <p>5 Q When did he create them?</p> <p>6 A I don't remember.</p> <p>7 Q How did he provide them to you?</p> <p>8 A Email, I would guess.</p> <p>9 Q Did you ever provide the profit and</p> <p>10 loss summaries that Donelson emailed to you to</p> <p>11 prospective customers?</p> <p>12 A Say that again.</p> <p>13 Q Did you ever provide the profit and</p> <p>14 loss summary documents that Donelson provided to</p> <p>15 you that you just described, did you ever provide</p> <p>16 those to prospective customers?</p> <p>17 A I don't really remember.</p> <p>18 Q It's not something you remember doing</p> <p>19 regularly?</p> <p>20 A Yeah.</p> <p>21 Q It was your whole job to interact with</p> <p>22 prospective customers, right, or a significant part</p> <p>23 of your job?</p> <p>24 A Yes.</p>
<p style="text-align: right;">Page 150</p> <p>1 not you provided any track record information to</p> <p>2 Mr. Postma?</p> <p>3 A I'm not sure. Would it be an email?</p> <p>4 Q Well, when was the cash management strategy</p> <p>5 in effect?</p> <p>6 A What?</p> <p>7 Q When was the cash management strategy</p> <p>8 in effect?</p> <p>9 A It might have been late 2018, early 2019.</p> <p>10 I don't remember.</p> <p>11 Q Do you remember ever providing profit and</p> <p>12 loss summary information to prospects?</p> <p>13 A Not really.</p> <p>14 Q I mean, is that a no, you don't?</p> <p>15 A I'm trying to think. I don't know if</p> <p>16 I've ever sent one. I don't remember.</p> <p>17 Q Have you ever seen one?</p> <p>18 A Yeah.</p> <p>19 Q And just so the record's clear,</p> <p>20 the question is have you ever seen a profit</p> <p>21 and loss summary document from Long Leaf's trading</p> <p>22 recommendations.</p> <p>23 A Yes.</p> <p>24 Q Where did you see that kind of information</p>	<p style="text-align: right;">Page 152</p> <p>1 Q So if you did it, you would probably</p> <p>2 remember?</p> <p>3 A Um-hmm.</p> <p>4 MS. STREIT: Is that a yes?</p> <p>5 BY MR. PLATT:</p> <p>6 Q You've got to answer verbally, sorry.</p> <p>7 Was that a yes, Mr. Stemper?</p> <p>8 A I'm not sure.</p> <p>9 MR. PLATT: Mary, can you read back my</p> <p>10 last question. Sorry.</p> <p>11 (Whereupon the portion of the record</p> <p>12 was read as requested.)</p> <p>13 A I think that's an inappropriate question.</p> <p>14 Q You know, that's not really an appropriate</p> <p>15 response, Mr. Stemper. You just have to answer it.</p> <p>16 A Yes.</p> <p>17 Q So let's go down to the second email</p> <p>18 in CFTC Exhibit 286.</p> <p>19 MR. FALVEY: Hey, Jody, can we take five</p> <p>20 minutes, literally?</p> <p>21 MR. PLATT: Sure.</p> <p>22 MR. FALVEY: I mean, yeah, literally</p> <p>23 it'll just be five minutes.</p> <p>24 MR. PLATT: Sure. Let's go off the record.</p>

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1 MR. FALVEY: Okay, thank you.
 2 (Whereupon a recess was taken from
 3 1:25 p.m., to 1:33 p.m., after which
 4 the following proceedings were had:)
 5 MR. PLATT: Let's go back on the record.
 6 Q Mr. Stemper, we were looking at
 7 Exhibit 286. I'm going to pull that back up. And
 8 this second email in Exhibit 286 is your summary to
 9 Donelson of a prospect who's requesting track record
 10 information. Do you remember providing track record
 11 information to this prospect?
 12 A No.
 13 Q And then the third of four emails,
 14 your email to Gary D, you know, you described
 15 how you will provide information about the cash
 16 management strategy but you can't go back before
 17 the cash management strategy started.
 18 Is it fair to say that even
 19 if you did provide track record information to
 20 Gary D, you didn't provide him the kind of track
 21 record information that he was requesting?
 22 A No, I -- I don't know what you mean.
 23 Q This prospective client requests
 24 trading performance results of the last few years,

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1 correct?
 2 A Yeah.
 3 Q And you say --
 4 A To answer your question, I think the
 5 cash management strategy is what we were primarily
 6 using.
 7 Q So the question, Mr. Stemper, is
 8 if you provided track record information to this
 9 prospect, it would have only been related to the
 10 cash management strategy and not related to the
 11 trading that occurred before the cash management
 12 strategy, right?
 13 A Um-hmm, right.
 14 Q And then, finally, did you send any
 15 track record information to prospect Tim Sullivan
 16 in April of 2019?
 17 A I don't remember.
 18 Q Did Tim Sullivan open an account at
 19 Long Leaf?
 20 A I don't think so.
 21 Q Did Gary D open an account at Long Leaf?
 22 A No.
 23 Q Did Richard Johnson open an account at
 24 Long Leaf?

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1 A No.
 2 Q Did Martin Postma open an account at
 3 Long Leaf?
 4 A Maybe.
 5 Q But you don't remember him being --
 6 A I don't remember -- his name looks
 7 familiar, but I'm not sure.
 8 Q Okay. But you don't know whether or not
 9 he opened one or not?
 10 A Yeah.
 11 Q Why do you think a prospective
 12 customer of a trading system would want track
 13 record information?
 14 A I don't know.
 15 Q Why did you ask for track record
 16 information when you were in the hiring process for
 17 the job?
 18 A I was curious of the strategy.
 19 Q How the strategy performs, correct?
 20 A And the strategy in general.
 21 Q These prospective customers are
 22 asking for track record information because
 23 it's an important piece of information when you're
 24 deciding whether to make an investment, right?

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1 A Is that a question?
 2 MR. PLATT: Mary, can you please read
 3 back the question.
 4 (Whereupon the portion of the record
 5 was read as requested.)
 6 A I can't speak for everyone.
 7 Q Your testimony, Mr. Stemper,
 8 is that track record information is not important
 9 for someone investing in a trading strategy?
 10 A I don't know.
 11 Q You held a Series 3 license, right?
 12 A Yeah.
 13 Q You worked at a broker that sold
 14 a trading strategy to the general public, right?
 15 A Um-hmm, yeah.
 16 Q You know about options trading?
 17 A Yeah.
 18 Q And you don't think track record
 19 is an important piece of information for selling the
 20 kind of product that Long Leaf was selling?
 21 A It could be.
 22 Q Would it be important to you if you were
 23 investing any money?
 24 A Yeah.

<p style="text-align: right;">Page 157</p> <p>1 Q Why?</p> <p>2 A To understand the history.</p> <p>3 Q Why would you want to understand</p> <p>4 the history of a trading strategy?</p> <p>5 A To see if it works.</p> <p>6 Q Would you invest your own money in</p> <p>7 a strategy that didn't work?</p> <p>8 A If I knew it didn't, no.</p> <p>9 Q And one way that you would know that</p> <p>10 it didn't work is if the track record was poor,</p> <p>11 correct?</p> <p>12 A Yeah.</p> <p>13 Q I'm going to switch gears here,</p> <p>14 Mr. Stemper. This may seem like an obvious</p> <p>15 question. The people you were cold calling all</p> <p>16 day every day, they were not preexisting customers</p> <p>17 of Long Leaf, right? They were just members of the</p> <p>18 general public.</p> <p>19 A Yeah.</p> <p>20 Q And you testified earlier that</p> <p>21 Long Leaf provided its brokers with materials to</p> <p>22 use in soliciting customers, right?</p> <p>23 A Yep.</p> <p>24 Q Who provided those materials to you?</p>	<p style="text-align: right;">Page 159</p> <p>1 but I'm not sure.</p> <p>2 Q But sitting here today, having given</p> <p>3 this -- these pitches, you know, sort of all day</p> <p>4 every day, that's what's in your head, that's what</p> <p>5 you remember?</p> <p>6 A Yeah.</p> <p>7 (Whereupon CFTC Exhibit No. 287</p> <p>8 was marked for identification.)</p> <p>9 Q I'm going to share with you what's been</p> <p>10 marked as CFTC Exhibit 287. This is a December 1,</p> <p>11 2017 email from you to Dillman, right?</p> <p>12 A Yeah.</p> <p>13 Q And you send him a Word document titled</p> <p>14 Notes, is that correct?</p> <p>15 A Yes.</p> <p>16 Q I'm going to scroll down to these. Do you</p> <p>17 recognize this document?</p> <p>18 A Yes.</p> <p>19 Q What is it?</p> <p>20 A It's a script.</p> <p>21 Q At what stage in the three-stage Long</p> <p>22 Leaf process was this version of the script used?</p> <p>23 A I don't remember exactly when.</p> <p>24 Q Is this the demo script?</p>
<p style="text-align: right;">Page 158</p> <p>1 A The owner.</p> <p>2 Q Donelson, right?</p> <p>3 A Yeah.</p> <p>4 Q And Evans?</p> <p>5 A Yeah.</p> <p>6 Q They knew what was in those scripts, right?</p> <p>7 A Yeah.</p> <p>8 Q They told you to follow the scripts,</p> <p>9 correct?</p> <p>10 A Yeah.</p> <p>11 Q So you gave these pitches a lot, right?</p> <p>12 Like the demo and the custom pitch, you've given</p> <p>13 them each, you know, dozens or hundreds of times,</p> <p>14 right?</p> <p>15 A Yeah.</p> <p>16 Q What do you remember about</p> <p>17 the disclaimers that were included with those</p> <p>18 solicitation materials?</p> <p>19 A Past performance is not indicative</p> <p>20 of future.</p> <p>21 Q Is that sort of the only statement</p> <p>22 about risk that you remember from the demo and</p> <p>23 custom scripts?</p> <p>24 A I don't remember. I think there's more,</p>	<p style="text-align: right;">Page 160</p> <p>1 A It could have been.</p> <p>2 Q Is this the custom script?</p> <p>3 A I think it's the demo.</p> <p>4 Q You think this is the demo?</p> <p>5 A Yeah.</p> <p>6 Q Could this be the opener script? Was there</p> <p>7 a script for openings?</p> <p>8 A There was.</p> <p>9 Q Is that what this is?</p> <p>10 A Yeah. Actually, it might be the opening</p> <p>11 script, yep.</p> <p>12 Q And so this was part of the solicitation</p> <p>13 materials that Long Leaf provided to brokers,</p> <p>14 correct?</p> <p>15 A Yes.</p> <p>16 Q You didn't create this document, right?</p> <p>17 A No.</p> <p>18 Q So in this first sentence here the</p> <p>19 last bit says there's no cost for the program.</p> <p>20 Is that true?</p> <p>21 A Not for the -- yeah, that's true.</p> <p>22 Q Are there any statements about the</p> <p>23 impact of commissions on an options trading account</p> <p>24 in this opener pitch?</p>

<p style="text-align: right;">Page 161</p> <p>1 A Doesn't look like it.</p> <p>2 Q Commissions were a cost to the program,</p> <p>3 right?</p> <p>4 A If you trade, not of the program. You</p> <p>5 could be in the program and not trade.</p> <p>6 Q So you're drawing a distinction</p> <p>7 between someone who has an account that has no</p> <p>8 trading activity and someone who has a Long Leaf</p> <p>9 account and follows the trade recommendations?</p> <p>10 A Right.</p> <p>11 Q I understand. So then just read,</p> <p>12 you know, read this next paragraph to yourself.</p> <p>13 I'm sure you've seen this many times and you've</p> <p>14 said this many times, and then we'll talk about it.</p> <p>15 Just please review it and let me know when you're</p> <p>16 done.</p> <p>17 A You can go ahead.</p> <p>18 Q So part of the pitch was that you would</p> <p>19 describe this fact that 76.5 percent of options</p> <p>20 expire worthless, correct?</p> <p>21 A Yeah.</p> <p>22 Q How would that stat relate to the</p> <p>23 trading recommendations that Long Leaf provided</p> <p>24 to customers?</p>	<p style="text-align: right;">Page 163</p> <p>1 Q Did you ever tell a prospective</p> <p>2 customer about the likelihood -- or strike that</p> <p>3 question. Did you ever tell a prospective customer</p> <p>4 about the potential magnitude of loss associated</p> <p>5 with the other 23.5 percent of options?</p> <p>6 A I don't remember.</p> <p>7 Q It's not in the pitch, though, so you</p> <p>8 probably didn't say it, correct?</p> <p>9 A Right.</p> <p>10 Q Third paragraph. You would tell</p> <p>11 customers the beauty of the program is that it's</p> <p>12 an income-generating strategy with limited risk,</p> <p>13 correct?</p> <p>14 A Yep, that's what it reads.</p> <p>15 Q You've said that thousands of times</p> <p>16 probably, right?</p> <p>17 A I don't know.</p> <p>18 Q You said this on most of the opener calls</p> <p>19 that you made, correct?</p> <p>20 A Yes.</p> <p>21 Q Did you have any basis to believe that</p> <p>22 Long Leaf generated income for its customers when</p> <p>23 you gave this pitch?</p> <p>24 A I don't remember.</p>
<p style="text-align: right;">Page 162</p> <p>1 A I don't remember.</p> <p>2 Q Did this stat relate to the profitability</p> <p>3 of Long Leaf's trading recommendations?</p> <p>4 A I think so, but I don't remember exactly</p> <p>5 how.</p> <p>6 Q Right. So when you first started, Long</p> <p>7 Leaf used iron condors, right?</p> <p>8 A I'm not sure.</p> <p>9 Q You're not sure if Long Leaf used iron</p> <p>10 condors?</p> <p>11 A I remember the term being thrown around</p> <p>12 but -- maybe.</p> <p>13 Q Did you think that Long Leaf was only</p> <p>14 selling options?</p> <p>15 A Yes.</p> <p>16 Q Sitting here today, do you think that</p> <p>17 Long Leaf only sold options?</p> <p>18 A I'm pretty sure.</p> <p>19 Q What's an iron condor?</p> <p>20 A I'm not --</p> <p>21 Q Sorry, go ahead.</p> <p>22 A I don't remember. I don't remember.</p> <p>23 Q You don't remember what an iron condor is?</p> <p>24 A No.</p>	<p style="text-align: right;">Page 164</p> <p>1 Q Do you remember ever being provided</p> <p>2 information that would have reflected the generation</p> <p>3 of income for Long Leaf's customers?</p> <p>4 A I don't remember, no.</p> <p>5 Q You don't remember if you were provided</p> <p>6 information or you weren't provided any information?</p> <p>7 A I don't remember.</p> <p>8 Q So just to clarify, you have no</p> <p>9 recollection of anyone ever providing you</p> <p>10 information that would have reflected income</p> <p>11 generation based on Long Leaf's trading strategy,</p> <p>12 correct?</p> <p>13 A Yeah.</p> <p>14 Q So why did you say that to customers?</p> <p>15 A It's what we had to say.</p> <p>16 Q Because it was in the script, correct?</p> <p>17 A Yeah.</p> <p>18 Q Did anybody ever give you information</p> <p>19 about the limitation on risk that you described to</p> <p>20 customers here?</p> <p>21 A I wouldn't remember.</p> <p>22 Q So you don't remember ever receiving that</p> <p>23 kind of information?</p> <p>24 A What kind of information?</p>

<p style="text-align: right;">Page 165</p> <p>1 Q In this pitch you would say over 2 and over again the beauty of the program is that 3 it's an income-generating strategy with limited 4 risk. Did I read that correctly? 5 A Yes. 6 Q Did anybody at Long Leaf ever provide 7 you with information to support that statement that 8 says Long Leaf's trading strategy had limited risk? 9 A Yes. 10 Q What information was provided to you about 11 Long Leaf's risk limitations? 12 A I don't remember. I know it was discussed. 13 Q But you don't remember what that 14 information was? 15 A No. 16 Q Who discussed it? 17 A Jim. 18 Q Jim Donelson discussed risk limitations 19 with you? 20 A Yeah, with everyone. 21 Q Tell me about those discussions, please. 22 A I don't remember what was said. 23 Q What was the context of the conversation? 24 A I don't remember. It's just limited risk,</p>	<p style="text-align: right;">Page 167</p> <p>1 Q You don't remember making that statement 2 or you do remember making that statement? 3 A What was the statement again? 4 MR. PLATT: Mary, can you please read 5 back the question about the predictable path 6 to success. 7 (Whereupon the portion of the record 8 was read as requested.) 9 A I don't remember. 10 MR. PLATT: So we're going to play 11 a recording at this stage. I'm going to 12 mark a recording from January 12, 2018 as 13 CFTC Exhibit 288. 14 (Whereupon CFTC Exhibit No. 288 15 was marked for identification.) 16 (Whereupon CFTC Exhibit No. 288 17 was remarked as CFTC Exhibit 18 No. 302 for identification.) 19 Q Sorry. I'm going start this recording 20 at the time stamp 7:50 and I'm going to let it run 21 until about 10:50. So we're going to listen to 22 about three minutes of this call, okay, Mr. Stemper? 23 A Okay. 24 (Whereupon the recording was played.)</p>
<p style="text-align: right;">Page 166</p> <p>1 positive context. 2 Q So in the demo set, Mr. Stemper, which 3 you also said had a script and it also had a Power 4 Point, correct? 5 A Yes. 6 Q Did the demo set also rely on this 7 76.5 percent of options expire worthless statistic? 8 A Yes. 9 Q Do you remember making the statement 10 that that statistic gave Long Leaf customers a 11 predictable path to success? 12 A Say that again. 13 Q Do you remember telling customers 14 during the demo set that the 76.5 percent of 15 options expire worthless statistic would lead to a 16 predictable path to success for Long Leaf customers? 17 A Do I remember saying that? 18 Q As part of demo set, yep. 19 A Yeah, I don't -- 20 Q You said it lots of times, correct? 21 A Where are you reading? 22 Q It's not in this exhibit. I'll take 23 it down. I'm just asking you if you remember it. 24 A No.</p>	<p style="text-align: right;">Page 168</p> <p>1 MR. PLATT: Can you hear that? 2 MR. FALVEY: Yes. 3 MR. PLATT: Okay, sorry. I actually -- 4 I started the wrong call, so I'm going to queue 5 up the other call. This may take a minute for 6 the recording to load. So, again, I'm going to 7 start the recording right around 7 minutes and 8 50 seconds and let it play for about 3 minutes. 9 Q Let's listen to the recording, Mr. Stemper, 10 and then I'll ask you some questions about it, okay? 11 A Yep. 12 (Whereupon the recording was played.) 13 Q Mr. Stemper, was that your voice? 14 A Yes. 15 Q That's the demo set, right? 16 A It sounds like a demo. 17 Q Yeah. And you delivered the demo hundreds 18 of times, correct? 19 A I don't know how many times. 20 Q Well, I think earlier you estimated about, 21 you know, once per day? 22 A Yeah. 23 Q And you worked at Long Leaf for two years, 24 correct?</p>

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1 A Yeah.
 2 Q And you were reading from a script on that
 3 call, right?
 4 A Correct.
 5 Q So I'm going to summarize some of
 6 your statements, and let me know if you think I've
 7 got them wrong. I think you said the Time Means
 8 Money program utilizes short options strategies as
 9 the investment vehicle to drive results. Does that
 10 sound familiar?
 11 A Um-hmm, yeah.
 12 Q What results was Time Means Money driving?
 13 A I don't remember.
 14 Q Do you ever remember being provided
 15 any information that would have indicated that Time
 16 Means Money had positive results for its customers?
 17 A Just from what I was told.
 18 Q You were told that Time Means Money
 19 resulted in positive trading returns for customers?
 20 A Yeah.
 21 Q Who told you that?
 22 A I don't remember who. I don't remember
 23 exactly. I just remember it being the idea that it
 24 was successful.

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1 Q But you don't remember who told you
 2 that, what information they gave you or when those
 3 conversations took place?
 4 A No, sir.
 5 Q But generally in the office the discussions
 6 were that Time Means Money was successful, is that
 7 what you're saying?
 8 A No, I just remember thinking that it was.
 9 Q What was the basis for those thoughts?
 10 Why did you think that?
 11 A I don't know. I don't remember exactly.
 12 Q Were you thinking that like this
 13 is on the script. My bosses gave me the script.
 14 I'm just going to say it because it's probably true?
 15 A Yeah.
 16 Q But no sort of independent documents
 17 or information about this -- about the performance
 18 of the strategy?
 19 A Right.
 20 Q And I'm referring in this line
 21 of questioning to sort of 2018 during the time
 22 period where you testified that you weren't actively
 23 managing accounts. Is that how you've been
 24 answering these questions?

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1 A What do you mean?
 2 Q So I've been referring to the Time Means
 3 Money program.
 4 A Yeah.
 5 Q It's my understanding that Long Leaf
 6 sort of stopped doing the Time Means Money program
 7 at a certain point in time.
 8 A Right.
 9 Q And so my questions in this last
 10 five minutes, Mr. Stemper, have only been about
 11 the program when it was called Time Means Money.
 12 Is that how you've been answering these questions?
 13 A That's right.
 14 Q Okay. So another thing in the
 15 demo script that I heard you say, you asked
 16 the customer, the prospective customer do you
 17 agree that being a seller and taking advantage
 18 of the likelihood -- of that likelihood would give
 19 you a predictable path to success. Do you remember
 20 saying that as part of the demo script to lots of
 21 customers?
 22 A I don't remember it, but I just heard it.
 23 Q You don't ever remember making that
 24 statement?

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1 A Not really. It's a blur.
 2 Q If it's on the recording, it's probably
 3 in the script, right?
 4 A Yes.
 5 Q So you probably said it in substantially
 6 all the demo sets that you conducted, right?
 7 A Right.
 8 Q And did you have any independent basis
 9 to believe that Time Means Money would create a
 10 predictable path to success other than what was
 11 in the script?
 12 A No.
 13 Q And then towards the end of the
 14 call, you know, the customer asks you a question.
 15 He says I would hate to see what would happen if
 16 you had to deliver or if the option expired, and
 17 you said you won't have to do that.
 18 Why would you tell a prospective
 19 customer that they didn't have to worry about the
 20 risk of an option expiring in the money?
 21 A I wasn't aware of it.
 22 Q You didn't know what the difference
 23 between in the money or out of the money was?
 24 A I don't remember.

<p style="text-align: right;">Page 173</p> <p>1 Q Well, you had options trading experience</p> <p>2 before you joined Long Leaf, right?</p> <p>3 A No.</p> <p>4 Q If we looked at your resumé, it wouldn't</p> <p>5 show options trading experience?</p> <p>6 A That's right.</p> <p>7 Q And you never received any training</p> <p>8 about the fundamentals of options that would have</p> <p>9 told you what the difference between in the money</p> <p>10 or out of the money was?</p> <p>11 A I may have. I don't remember it now.</p> <p>12 Q So I want to drill down on this,</p> <p>13 Mr. Stemper. Your testimony I think is -- and</p> <p>14 correct me if this is wrong -- that you didn't know</p> <p>15 basic concepts like in the money or out of the money</p> <p>16 at the time you were delivering a solicitation pitch</p> <p>17 for Time Means Money?</p> <p>18 A I wouldn't say that.</p> <p>19 Q Okay. Well, then correct me, please.</p> <p>20 A At the time I might have known</p> <p>21 or had studied -- had studied it. But speaking</p> <p>22 with that person on that recording we listened to,</p> <p>23 I don't think I really knew really what the -- what</p> <p>24 was -- I was just reading the script. I wasn't sure</p>	<p style="text-align: right;">Page 175</p> <p>1 10 seconds and we're going to let it run for about</p> <p>2 30 seconds.</p> <p>3 (Whereupon the recording was played.)</p> <p>4 Q So, Mr. Stemper, on that recording do</p> <p>5 you agree that you told the prospective customer</p> <p>6 at Long Leaf we measure our success by our clients'</p> <p>7 success. As a company we wouldn't have the ability</p> <p>8 to work with hundreds of clients month after month</p> <p>9 for eight years and oversee millions of dollars if</p> <p>10 we weren't being profitable for them?</p> <p>11 A That was a part of the script, yeah.</p> <p>12 Q And you said that in all the demo sets</p> <p>13 that you delivered, correct?</p> <p>14 A The demo set what?</p> <p>15 Q You said that line in all the demo sets</p> <p>16 you delivered, correct?</p> <p>17 A I don't know.</p> <p>18 Q Substantially all, because it was in the</p> <p>19 script, right?</p> <p>20 A Is that the demo script or the demo set</p> <p>21 script?</p> <p>22 Q Why don't you tell me. What is that?</p> <p>23 A I -- I don't remember which one it was</p> <p>24 a part of.</p>
<p style="text-align: right;">Page 174</p> <p>1 what his question entailed.</p> <p>2 Q It was a question, so it's not on</p> <p>3 the script. You just delivered a pitch to this</p> <p>4 customer about this three out of four options</p> <p>5 expire worthless, correct? That's what we just</p> <p>6 listened to?</p> <p>7 A Yeah.</p> <p>8 Q And then your customer is saying, well,</p> <p>9 what about the one out of four and you say don't</p> <p>10 worry about that, correct?</p> <p>11 A Is that what I said?</p> <p>12 Q Yeah, let's listen back.</p> <p>13 (Whereupon the recording was played.)</p> <p>14 A Okay. So when he said you have</p> <p>15 to deliver, I'm thinking that he meant deliver</p> <p>16 a physical commodity, which you wouldn't have to</p> <p>17 do -- or he wouldn't have to worry about that.</p> <p>18 Q So you were talking about the futures, not</p> <p>19 the options on the futures, is that your testimony?</p> <p>20 A Yeah. From my understanding, that's what</p> <p>21 I was talking about.</p> <p>22 Q I see. So I'm going to just do one</p> <p>23 more quick bit of this. Sorry. I'm going to start</p> <p>24 this recording, same recording at 12 minutes and</p>	<p style="text-align: right;">Page 176</p> <p>1 Q What's the difference between those two</p> <p>2 things?</p> <p>3 A The demo set is before the demo.</p> <p>4 Q So this call is about 45 minutes long.</p> <p>5 Did most of the demo sets last 45 minutes?</p> <p>6 A Somewhere around there.</p> <p>7 MR. RUTH: No.</p> <p>8 MR. PLATT: Mr. Ruth, you're not supposed</p> <p>9 to speak during the -- while the witness has</p> <p>10 a question pending.</p> <p>11 MR. RUTH: Can I get a point of</p> <p>12 clarification here?</p> <p>13 MS. STREIT: No, no.</p> <p>14 MR. PLATT: No. You can ask questions</p> <p>15 at the end.</p> <p>16 MR. RUTH: I mean, you have no clue what</p> <p>17 you're talking about, buddy.</p> <p>18 MR. PLATT: Mr. Ruth, Mr. Ruth, Mr. Ruth,</p> <p>19 you should not be talking to the witness like</p> <p>20 this.</p> <p>21 MR. RUTH: I'm talking to you.</p> <p>22 MS. STREIT: You can't.</p> <p>23 MR. PLATT: Mr. Ruth, you can ask questions</p> <p>24 of the witness at the end --</p>

<p style="text-align: right;">Page 177</p> <p>1 MR. RUTH: Why don't you learn the 2 difference between the demo set and the demo 3 so you can make it easier for everybody here. 4 You're confusing everybody. You don't even 5 know what's going on. 6 MR. PLATT: Hey, Ken, can you please mute 7 Mr. Ruth? Mr. Ruth, if you have objections, you 8 can chat them into the chat bar, but you can't 9 disrupt the questioning like this. 10 A I do have to say I kind of agree with 11 Ruth about what you -- about the difference between 12 demo and demo set. I think you're kind of -- 13 Q Okay. Well -- so, Mr. Stemper, why don't 14 you clarify it for me, please. 15 A What do I need to clarify? 16 Q What's the distinction that I'm missing 17 because I want to know. 18 A The demo set is one phone call in itself 19 and the demo is another. 20 Q Okay. And is the demo set different from 21 the opener call? 22 A No. 23 Q Okay. So it's the opener or the demo set 24 synonymous, right, first?</p>	<p style="text-align: right;">Page 179</p> <p>1 A Yeah. 2 Q And how did you get the custom script? 3 A What do you mean how did I get it? 4 Q You used the custom script, right? 5 A Yeah. 6 Q How did you receive that script? 7 A From our seniors. 8 Q Did Mr. Donelson know about the custom 9 script? 10 A Yeah. 11 Q Do you think Mr. Donelson has ever reviewed 12 the custom script? 13 A Yeah. 14 MR. FALVEY: Sorry. Mr. Platt -- do 15 you need ten minutes or five minutes? I don't 16 know if you're going to dig into something new, 17 Mr. Platt, or if -- 18 MR. PLATT: I am moving to a new topic. 19 If you'd like to take a break, we can. But, you 20 know, I do -- I am mindful of time here. 21 MR. FALVEY: Understood. Do you want to 22 say literally ten minutes and no more? 23 MR. PLATT: Yeah, yeah, that's fine. 24 MR. FALVEY: Okay, 2:20 then. Okay,</p>
<p style="text-align: right;">Page 178</p> <p>1 A Yeah. 2 Q And then the demo, right? And then the 3 custom, correct? 4 A (Nodding). 5 Q And what is the call that we just listened 6 to? 7 A I think that was the demo. 8 Q Okay. I think we're on the same page. 9 That's how I've been referring to it. And so the 10 statement that you wouldn't have the ability to work 11 with hundreds of clients month after month for eight 12 years and oversee millions of dollars if we weren't 13 being profitable for them, does that make sense? 14 That's a statement that you delivered during the 15 demo time and time again, correct? 16 A I don't remember. If it was in the 17 script ... 18 Q Do you think you would have said 19 something like that if it wasn't in the script? 20 A No. 21 Q So that call occurred in January 22 of 2018, Mr. Stemper. Do you think you continued 23 to use that same demo script, you know, kind of 24 throughout the year?</p>	<p style="text-align: right;">Page 180</p> <p>1 thanks. 2 (Whereupon a recess was taken from 3 2:10 p.m., to 2:22 p.m., after which 4 the following proceedings were had:) 5 MR. PLATT: Just so the record's clear, 6 no parties are muted at this time. We're going 7 to continue with the CFTC's examination. 8 MR. FALVEY: Great. 9 BY MR. PLATT: 10 Q So, Mr. Stemper, do you remember 11 when we saw some statements that reflected large 12 customer losses in November of 2018? 13 A What was that? 14 Q Do you remember when we walked through 15 the statements earlier, the customer statements? 16 A Yes. 17 Q And for November '18 we saw some fairly 18 large losses, correct? 19 A Yeah. 20 Q Do you remember what caused those? 21 A No. 22 Q Was there ever any discussion in the office 23 about those losses? 24 A I think there was, but I can't remember</p>

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1 the context of what was discussed.
 2 Q So I'm going to show you what's already
 3 been marked as Exhibit 280. Do you remember this
 4 email that we looked at earlier from Donelson to you
 5 from December 27, 2018?
 6 A Yeah.
 7 Q And there's two attachments. One's called
 8 December update PDF. Do you see that?
 9 A Yeah.
 10 Q So this is a December update. It's
 11 a letter addressed Dear Long Leaf Trading Client.
 12 Do you remember that client letter?
 13 A Not in particular, but go ahead.
 14 Q What about generally?
 15 A I remember we sent out client letters,
 16 yeah, or Jim had wrote them and we sent them out.
 17 Q So in bullet point 1 here Jim
 18 writes I'll be fully managing the trading strategy.
 19 Going forward, our chief market strategist is no
 20 longer part of the team. Do you see that?
 21 A Yes.
 22 Q Chief market strategist is Gecas, right?
 23 A Yes.
 24 Q Why did Gecas leave Long Leaf Trading?

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1 A I don't remember.
 2 Q Was it because of the large losses?
 3 A I don't think so. I don't know.
 4 Q So Donelson said he's going to take over
 5 and he's going to be fully in charge of the trading.
 6 Is that an accurate summary?
 7 A Yes.
 8 Q What experience did Donelson have
 9 trading options before he bought Long Leaf Trading?
 10 A I have no idea. I think he had traded them
 11 before, but I don't know to what extent.
 12 Q Did Donelson ever tell you that he had
 13 traded options?
 14 A I remember one occasion in which he did,
 15 yeah.
 16 Q What did he tell you about his options
 17 trading experience?
 18 A I can't remember the story exactly. I just
 19 think it was --
 20 Q Sorry, go ahead.
 21 A I think it was just a winning trade that
 22 he had made.
 23 Q So your recollection of Donelson's
 24 description of his options trading experience is

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1 a story about a winning trade?
 2 A And he -- I know he worked for
 3 a trading firm in which he dealt with options.
 4 I'm not totally sure but --
 5 Q What was Donelson's professional experience
 6 before Long Leaf, do you know?
 7 A He's a CPA and, like I said, he worked
 8 for I think two different trading firms, Getco being
 9 one of them.
 10 Q Did Donelson ever tell you that he engaged
 11 in any trading when he worked at Getco or the other
 12 trading company?
 13 A I don't remember.
 14 Q So bullet point 3 here Donelson
 15 writes to customers -- in an update letter after
 16 significant trading losses he writes, "We have
 17 tested a low-risk/low-return model that has shown
 18 positive performance and returns." Do you know what
 19 Donelson is referring to there?
 20 A The cash management strategy I think.
 21 Q What's the testing that he's talking about?
 22 A The what?
 23 Q Donelson writes that he tested -- he
 24 has tested a strategy as of December 2018 and that

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1 testing has shown positive performance and returns.
 2 Do you know what he's talking about with the
 3 testing?
 4 A I think he had done some trading of it.
 5 I'm not sure.
 6 Q So from this letter onward is it just you,
 7 Hatzigiannis, Cybulski and Jim Donelson?
 8 A And Vicki.
 9 Q And Vicki also, the five of you?
 10 A Yeah, yeah, I think so. When was this
 11 sent? This is --
 12 Q This letter is dated -- let me scroll
 13 up. I'll show you. This letter is -- the email to
 14 which this letter is attached is dated December 27,
 15 2018 and the letter is titled December Update. So
 16 I'm not sure when it was sent. It looks like it
 17 was sent in December.
 18 A Okay. I stand by it.
 19 Q And so from this point forward Donelson
 20 is in charge of the brokers and he's in charge of
 21 the trading, right?
 22 A Yeah.
 23 Q Tell me what you remember about the cash
 24 management strategy.

<p style="text-align: right;">Page 185</p> <p>1 A What you're reading right there. I don't 2 remember much. 3 Q How did you pitch it to prospective 4 customers? 5 A That it was low risk and low return. 6 Q And that it had shown positive performance? 7 A I don't remember how I pitched it. 8 (Whereupon CFTC Exhibit No. 288 9 was marked for identification.) 10 Q Okay. I'm going to turn to what's 11 been marked as CFTC Exhibit 288. So I just toggled 12 between it, Mr. Stemper, and you can see an email 13 from James Hatzigiannis to you from January 9, 2019, 14 Subject: Cash Mgmt, Attachments: Cash Management Q3. 15 Do you recognize this email? 16 A What do you mean do I recognize it? 17 It's my email. 18 Q This is an email that you received, 19 correct? 20 A Yeah. 21 Q So I'm going to scroll down to the 22 attachment. It's a one-page sort of table that 23 Hatzigiannis attached here. What information is on 24 this exhibit -- is on this attachment?</p>	<p style="text-align: right;">Page 187</p> <p>1 line on the bottom here, Mr. Stemper, on the right 2 it says Gain/Loss percentage. How do you read that? 3 A It reads 1.57. 4 Q And what does that mean to you? 5 A Well, looking at the graph, it means it's 6 a gain of 1.57 percent. 7 Q Like on how much, though? 1.57 percent of 8 what? 9 A I'm not sure I understand. 10 MS. STREIT: Oh, Jesus Christ. 11 MR. PLATT: Ms. Streit, you're not on mute. 12 MS. STREIT: Oh, I'm not? Okay, I'm sorry. 13 Yeah, okay. I'll be quiet. 14 BY MR. PLATT: 15 Q So, Mr. Stemper, this total return is 16 expressed as a percentage, right? 17 A Say that again? Sorry. 18 Q The total return is expressed as a 19 percentage, right? 20 A Right. 21 Q And is this like the total return 22 of a hypothetical account or like the amount that's 23 been invested? Like what does this mean? 24 A I think it's the profit -- I'm not sure.</p>
<p style="text-align: right;">Page 186</p> <p>1 A Previous trades. I think these are 2 the cash management trades. 3 Q So Hatzigiannis sends you this in 4 January of 2019 right after Donelson describes 5 a testing of that strategy to Long Leaf's clients, 6 is that correct? 7 A Yeah. 8 Q Is this the testing that Donelson is 9 referring to? 10 A I'm not sure. 11 Q Well, these are cash management trades, 12 right? 13 A Yeah, but I don't know. 14 Q Are you aware of any other cash 15 management trading activity from before Donelson 16 sent out his December 27, 2018 client letter? 17 A No. 18 Q So the only potential testing of that 19 strategy that you're aware of is reflected on this 20 table which has four trades, right? 21 A Yeah. 22 Q Three winners and one loser, correct? 23 A Yes. 24 Q And how do you read -- on the total</p>	<p style="text-align: right;">Page 188</p> <p>1 I don't remember. I can't guess. 2 Q I'm going to turn back to what's 3 been marked as CFTC Exhibit 286, and these are 4 the customer requests for a track record. And 5 you'll recall, Mr. Stemper, that there was one 6 request from prospective client Tim Sullivan on 7 April 8, 2019. In the final paragraph -- and he's 8 responding to your solicitation email. Do you agree 9 with that? 10 A Who's -- Tim is responding? Can you send 11 me your track record, yeah. 12 Q And your email to Mr. Sullivan is 13 like a long email that -- it's like a pitch email. 14 I don't know how you would describe this, but it's 15 your solicitation, correct? 16 A I don't know if I would describe it that 17 way. 18 Q How would you describe it? 19 A As an email. 20 Q What's the content of the email? 21 A It's talking about the cash management 22 strategy. 23 Q Yeah. Are you trying to get Mr. Sullivan 24 to open a Long Leaf account in this email?</p>

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1 A No, I'm just sharing information.
 2 Q What's the goal of that information
 3 sharing?
 4 A I mean, if he wanted to open an account,
 5 he can. If he doesn't want to, he doesn't have to.
 6 Q So your testimony, Mr. Stemper, is that
 7 this is not a solicitation? Do I have that correct?
 8 A No. I mean, is it a solicitation
 9 technically? I don't know.
 10 Q What's it to you? Is it a solicitation?
 11 A How do you define solicitation?
 12 Q How do you define solicitation?
 13 A Trying to sell something.
 14 Q Yeah. So is this a solicitation email?
 15 A Yeah, I guess.
 16 Q Thank you. So down at the bottom
 17 of this email -- this is April 8, 2019 -- in
 18 your solicitation email to prospective customer
 19 Tim Sullivan you write about Donelson. He was
 20 the global controller for prop trading for Getco.
 21 He was the VP of strategic cost management at
 22 R.R. Donnelley, treasurer and CFO of the United
 23 Methodist Church pension fund. And then you write,
 24 Mr. Stemper, "Throughout his experience he was

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1 exposed to and designed unique strategies that
 2 focus on efficiently using capital in a limited
 3 risk environment." Did I read that correctly?
 4 A Yeah.
 5 Q Why would you tell a prospective
 6 client that Mr. Donelson had experience designing
 7 unique trading strategies?
 8 A From what I understood, he did.
 9 Q And the basis of that understanding is what
 10 Donelson told you, is that right?
 11 A Yes.
 12 Q Donelson told you that he had experience
 13 trading options and designing unique options trading
 14 strategies in his professional experience?
 15 A Yeah, I -- I don't even know if
 16 I wrote this myself. It's just something that we --
 17 I responded with.
 18 Q Well, you sent it, right?
 19 A Yeah.
 20 Q Do you often send emails without reading
 21 them?
 22 A Go ahead.
 23 Q Do you send emails without reading them?
 24 A No, no.

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1 Q So if you didn't write this, who wrote it?
 2 A I don't remember but -- I don't remember.
 3 Q So I'm just going to try and circle back
 4 because I want to get a cleaner answer, Mr. Stemper.
 5 Why did you describe Mr. Donelson's experience as
 6 including designing unique options trading
 7 strategies?
 8 A It's what I was told.
 9 Q By whom?
 10 A All this is what I was told.
 11 Q By -- who told you this?
 12 A Jim.
 13 MR. PLATT: So, Mr. Ruth, I see
 14 that you noted an objection. You should
 15 not be muted now. So if you want to state an
 16 objection, you can. The concern on our end,
 17 Mr. Ruth, is interjecting information to the
 18 witness while there's a question pending, so
 19 we would ask that you please refrain from doing
 20 that.
 21 Q I'm going to go back to your email from
 22 Mr. Sullivan, Mr. Stemper.
 23 MR. RUTH: You're changing the words of the
 24 email that's the exhibit. It says, "Throughout

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1 his experience he was exposed to and designed
 2 unique strategies." It doesn't say anything
 3 about trading and it doesn't say anything
 4 about --
 5 MR. PLATT: Mr. Ruth, the only objection
 6 that you're allowed to lodge is literally to
 7 say the word objection under the rules. You'll
 8 have a chance to question the witness. And if
 9 you would like to go back and clean up any
 10 perceived technical issues, you will be able
 11 to do that after I'm done with my questioning.
 12 Do you understand?
 13 MR. RUTH: No, I don't.
 14 MR. PLATT: Okay. So under the rules
 15 if you disrupt the deposition, we can ask the
 16 Court to have you pay for the costs associated
 17 with the deposition. And if you continue to
 18 be disruptive, then we will make a motion and
 19 you may be --
 20 MR. RUTH: I don't -- I don't feel that
 21 it's disruptive.
 22 MR. PLATT: -- required to pay for the
 23 court reporter's time and the attorneys' time.
 24 Do you understand that?

<p style="text-align: right;">Page 193</p> <p>1 MR. RUTH: I just -- I think that</p> <p>2 the biggest disruption here is that you're</p> <p>3 misquoting the words of the exhibit. That's</p> <p>4 a disruption in itself.</p> <p>5 MR. PLATT: Mr. Ruth, you're not allowed</p> <p>6 to discuss the questioning other than to say</p> <p>7 the word objection, and you may ask questions</p> <p>8 at the end.</p> <p>9 MR. RUTH: I would hope that you would</p> <p>10 operate under good faith and actually if you're</p> <p>11 going to quote the exhibit that's in front of</p> <p>12 you, that you properly quote it. You're adding</p> <p>13 words --</p> <p>14 BY MR. PLATT:</p> <p>15 Q Mr. Stemper -- Mr. Stemper, we're going</p> <p>16 to --</p> <p>17 MR. PLATT: Mr. Ruth, Mr. Ruth, please stop</p> <p>18 interrupting the examination.</p> <p>19 MR. RUTH: It's not an interruption.</p> <p>20 BY MR. PLATT:</p> <p>21 Q Mr. Stemper, we're going to continue</p> <p>22 with Exhibit 286. Turning back to your email to</p> <p>23 Mr. Sullivan you write in this second paragraph,</p> <p>24 "Our cash management strategy targets an annual</p>	<p style="text-align: right;">Page 195</p> <p>1 trying to say that it's risky or safe?</p> <p>2 A I think it's safer.</p> <p>3 Q And this notion that the cash management</p> <p>4 strategy targeted 10 to 15 percent annual returns</p> <p>5 with a risk profile of a 30-year bond, Donelson</p> <p>6 told you to say that, right?</p> <p>7 A Yes.</p> <p>8 (Whereupon CFTC Exhibit No. 289</p> <p>9 was marked for identification.)</p> <p>10 Q I'm going to show you what's been</p> <p>11 marked as CFTC Exhibit 289. Do you recognize this</p> <p>12 as an email from Donelson to you, Hatzigiannis,</p> <p>13 Cybulski and Vicki Donelson on January 7, 2019?</p> <p>14 A Yes.</p> <p>15 Q Subject line, New Demo and Talking Points</p> <p>16 and it attaches a Power Point and a Word document,</p> <p>17 right?</p> <p>18 A Yeah.</p> <p>19 Q And Donelson is directing you to use these</p> <p>20 for demo presentations, correct?</p> <p>21 A Yeah.</p> <p>22 Q I'm just going to scroll down.</p> <p>23 Do you remember that this is around the time when</p> <p>24 Long Leaf changed its solicitation materials?</p>
<p style="text-align: right;">Page 194</p> <p>1 return of 10 to 15 percent with a similar risk</p> <p>2 profile to a 30-year bond." Do you see that?</p> <p>3 A Yeah.</p> <p>4 Q What was your basis for writing that</p> <p>5 sentence to a prospective customer?</p> <p>6 A It's what I was told.</p> <p>7 Q By whom?</p> <p>8 A Jim.</p> <p>9 Q So this is in April of 2019, correct?</p> <p>10 A Yes.</p> <p>11 Q Did you have any reason to believe</p> <p>12 that the cash management strategy was returning</p> <p>13 10 to 15 percent annually for customers as of that</p> <p>14 date?</p> <p>15 A I don't remember.</p> <p>16 Q Well, we've looked at emails that you</p> <p>17 received from customers complaining of significant</p> <p>18 losses around that same time, correct?</p> <p>19 A Yes. But were they in the cash management</p> <p>20 strategy?</p> <p>21 Q What's the risk profile of a 30-year bond?</p> <p>22 A I don't remember.</p> <p>23 Q If you're comparing a financial</p> <p>24 instrument risk profile to a 30-year bond, are you</p>	<p style="text-align: right;">Page 196</p> <p>1 A Sounds right.</p> <p>2 Q How were these materials created,</p> <p>3 do you remember?</p> <p>4 A No.</p> <p>5 Q Did you play a role in creating the</p> <p>6 new materials?</p> <p>7 A The presentation a little bit, but I can't</p> <p>8 remember what I actually did.</p> <p>9 Q What about the script?</p> <p>10 A I don't remember.</p> <p>11 Q So how were these created? Did the</p> <p>12 Long Leaf employees trade drafts? Did Donelson just</p> <p>13 write them himself? What's your recollection?</p> <p>14 A I think it was -- I can't remember if it</p> <p>15 was based on the script before that or we might have</p> <p>16 added some stuff. I can't remember.</p> <p>17 Q So this is a demo Power Point I'm going</p> <p>18 to scroll through here that Donelson sent to you.</p> <p>19 There's an agenda slide. On page 13 of this PDF, I</p> <p>20 can't read the page number of the presentation, but</p> <p>21 the slide is called Why Don't More People Do This.</p> <p>22 What is "this" that the slide is talking about?</p> <p>23 A Why don't more people trade.</p> <p>24 Q Just generally trade?</p>

<p style="text-align: right;">Page 197</p> <p>1 A Yeah.</p> <p>2 Q So one of the rationales is retail</p> <p>3 investor success rate and one is lack of knowledge</p> <p>4 So I'm just going to scroll to the next slide, and</p> <p>5 part of the new Long Leaf demo was to cite that</p> <p>6 retail traders only make money 7 percent of the</p> <p>7 time, is that correct?</p> <p>8 A That's what it reads.</p> <p>9 Q And you used this slide in connection</p> <p>10 with demo presentations, right?</p> <p>11 A Yes.</p> <p>12 Q What was the purpose of telling prospective</p> <p>13 customers the retail trader success rate?</p> <p>14 A I don't remember.</p> <p>15 Q Was it to draw a comparison and say</p> <p>16 Long Leaf could do better than 7 percent or Long</p> <p>17 Leaf could do better than retail investors?</p> <p>18 A I don't know.</p> <p>19 Q Did Long Leaf do better than retail</p> <p>20 investors?</p> <p>21 A I don't know.</p> <p>22 Q Well, in this slide there's a stat that</p> <p>23 says 7 percent of retail investors make money. And</p> <p>24 I think we've established through your testimony</p>	<p style="text-align: right;">Page 199</p> <p>1 A I'm not sure. I don't remember.</p> <p>2 Q Well, we've looked at information that</p> <p>3 would reflect that all the customers lost money,</p> <p>4 right?</p> <p>5 A Right.</p> <p>6 Q So is it fair to say that none of</p> <p>7 the strategies applied by Long Leaf at this time</p> <p>8 generated income for customers?</p> <p>9 A Yeah.</p> <p>10 Q So why would you say this to customers?</p> <p>11 A I'm -- I think it had to do something</p> <p>12 more so with the future of the trading being an</p> <p>13 income-generating strategy.</p> <p>14 Q So your testimony is that when you</p> <p>15 made this statement in connection with this slide,</p> <p>16 it was your hope that Long Leaf would generate</p> <p>17 income in the future?</p> <p>18 A Yeah, I had faith in Jim.</p> <p>19 Q But there was no information that</p> <p>20 would lead you to believe that this statement was</p> <p>21 accurate at the time you delivered it, right?</p> <p>22 A No.</p> <p>23 Q It was aspirational, correct?</p> <p>24 A I guess.</p>
<p style="text-align: right;">Page 198</p> <p>1 that none of your Long Leaf customers made money</p> <p>2 between December 22, 2018 and June 3, 2019, right?</p> <p>3 A Okay.</p> <p>4 Q And none of them made money over the</p> <p>5 life of their accounts, right? You testified to</p> <p>6 that earlier?</p> <p>7 A Right.</p> <p>8 Q So do retail investors do better on average</p> <p>9 than Long Leaf customers or worse?</p> <p>10 A Yeah, I guess.</p> <p>11 Q They do better, right?</p> <p>12 A Maybe.</p> <p>13 Q Well, what's better, zero or 7 percent?</p> <p>14 A Seven.</p> <p>15 Q Right. Next slide, Slide 14 of the</p> <p>16 new demo deck that Donelson sent you says What We</p> <p>17 Can Offer Your Portfolio. The first big bullet is</p> <p>18 called income-generating strategies. What were the</p> <p>19 income-generating strategies in January 2019 that</p> <p>20 Donelson wanted you to tell prospective customers</p> <p>21 about?</p> <p>22 A I don't remember.</p> <p>23 Q Were there any income-generating strategies</p> <p>24 at Long Leaf at that time?</p>	<p style="text-align: right;">Page 200</p> <p>1 Q Next slide. It says Long Leaf options</p> <p>2 trading strategy and there are like three buckets</p> <p>3 here, opportunistic, cash management and core. Were</p> <p>4 these the strategies that Long Leaf was applying</p> <p>5 at this time?</p> <p>6 A I think so.</p> <p>7 Q What's the difference between cash</p> <p>8 management and core?</p> <p>9 A I can't really remember the difference.</p> <p>10 I'm just reading what it says.</p> <p>11 Q I'm going to keep scrolling down to the</p> <p>12 second attachment to this email. This is I think</p> <p>13 the -- I can't remember the title of the document</p> <p>14 but the title -- or the title of the attachment,</p> <p>15 but the document bears the title Long Leaf Trading</p> <p>16 Talking Points. Do you see that?</p> <p>17 A Yeah.</p> <p>18 Q Do you recognize this?</p> <p>19 A Yep.</p> <p>20 Q This is the script that you used</p> <p>21 in connection with the demo presentation from</p> <p>22 January 7th onward, right?</p> <p>23 A I don't remember.</p> <p>24 Q Well, what is it?</p>

<p style="text-align: right;">Page 201</p> <p>1 A Huh?</p> <p>2 Q If you don't remember -- if that's</p> <p>3 not accurate, what is this document? You said you</p> <p>4 recognized it.</p> <p>5 A I'm confused. What's your question?</p> <p>6 Q What is this document?</p> <p>7 A It's Long Leaf Trading talking points.</p> <p>8 Q When did you use this document?</p> <p>9 A I'm not sure. It might have been in the</p> <p>10 demo.</p> <p>11 Q Okay. I'm just going to scroll back</p> <p>12 up to the top to Donelson's email. What's the title</p> <p>13 of the attachments?</p> <p>14 A The demo, new demo, new demo talking</p> <p>15 points.</p> <p>16 Q I'm going to go back down to -- what's</p> <p>17 the title of this document?</p> <p>18 A I just read it.</p> <p>19 Q Please read it again.</p> <p>20 A Long Leaf Trading Talking Points.</p> <p>21 Q So what is this document?</p> <p>22 A I just read it.</p> <p>23 Q When did you use this document?</p> <p>24 A Throughout the demo.</p>	<p style="text-align: right;">Page 203</p> <p>1 Q So under Slide 15, Long Leaf option trading</p> <p>2 strategies, under A2 we see the cash management</p> <p>3 strategy. Do you see that?</p> <p>4 A Yeah.</p> <p>5 Q And there again we see targeted return</p> <p>6 of about 6 to 10 percent per year after commissions</p> <p>7 and fees, right?</p> <p>8 A Yeah.</p> <p>9 Q And so this is something that was</p> <p>10 not only used in emails, but this was part of the</p> <p>11 demo and you would say this to substantially all the</p> <p>12 prospective customers, right?</p> <p>13 A If they went through a demo.</p> <p>14 Q Yeah, fair qualification. All the</p> <p>15 customers, prospective customers who received demo</p> <p>16 presentations, you would make this statement?</p> <p>17 A Right.</p> <p>18 Q Because Donelson included it in his talking</p> <p>19 points, right?</p> <p>20 A Right.</p> <p>21 (Whereupon CFTC Exhibit No. 290</p> <p>22 was marked for identification.)</p> <p>23 Q So I'm going to show you another</p> <p>24 email that we've marked Exhibit 290. Do you see</p>
<p style="text-align: right;">Page 202</p> <p>1 Q Thank you. And you used it because</p> <p>2 Donelson sent it to you, correct?</p> <p>3 A Yes.</p> <p>4 Q Under this second heading, this bold</p> <p>5 Slide 2 Risk Disclosure heading, under Point A</p> <p>6 there's a sentence that says, "Past performance</p> <p>7 is not indicative of future performance. Past</p> <p>8 performance not indicative of future gains."</p> <p>9 Is that the risk disclosure you remember giving</p> <p>10 to prospective clients?</p> <p>11 A Yeah.</p> <p>12 Q Were there any other disclosures or</p> <p>13 statements about risk in this demo or this set of</p> <p>14 talking points other than what's under this heading</p> <p>15 Risk Disclosure?</p> <p>16 A I don't remember.</p> <p>17 Q So I'm asking you about this document.</p> <p>18 Do you see any others?</p> <p>19 A No.</p> <p>20 Q So scrolling down, Mr. Stemper,</p> <p>21 and the bold headings are titled Slide and then</p> <p>22 like a little statement. These talking points were</p> <p>23 keys to the slides of the deck, right?</p> <p>24 A Yeah.</p>	<p style="text-align: right;">Page 204</p> <p>1 an email from Cybulski to you and Hatzigiannis</p> <p>2 on your screen?</p> <p>3 A Yes.</p> <p>4 Q The date is January 28, 2019, right?</p> <p>5 A Yep.</p> <p>6 Q Subject: New Custom Stuff, and it</p> <p>7 attaches Final Addition 2019 Custom Power Point</p> <p>8 and Custom Script New Strategies document, right?</p> <p>9 A Yeah.</p> <p>10 Q Where did Cybulski get these?</p> <p>11 A I don't know.</p> <p>12 Q Do you think he got them from Donelson?</p> <p>13 A Maybe.</p> <p>14 Q Did Donelson, you know, approve the new</p> <p>15 custom materials?</p> <p>16 A I think so.</p> <p>17 Q Isn't it true that any of the custom</p> <p>18 materials you were using after you received this</p> <p>19 email included the material that Donelson wanted</p> <p>20 you to say, correct?</p> <p>21 A Yeah.</p> <p>22 Q So on Slide 4 we see objectives,</p> <p>23 target 12 percent return on an annual basis</p> <p>24 after commissions and fees, low to moderate risk</p>

<p style="text-align: right;">Page 205</p> <p>1 preference, add consistency to your trading, right?</p> <p>2 A Yeah.</p> <p>3 Q And also manage downside risk, correct?</p> <p>4 A Yeah.</p> <p>5 Q And this slide is titled Your Objectives,</p> <p>6 right?</p> <p>7 A Yeah.</p> <p>8 Q That's like a prospective customer?</p> <p>9 A Right.</p> <p>10 Q And the purpose of this slide was to</p> <p>11 explain how Long Leaf could help a customer meet</p> <p>12 their objectives, right?</p> <p>13 A Yeah.</p> <p>14 Q So I'm going to go down to Slide 7,</p> <p>15 Long Leaf Option Strategies. And this is like</p> <p>16 a tree that says Strategies at the top. On the</p> <p>17 left is cash management, on the right is market</p> <p>18 driven. Under cash management is core and edge.</p> <p>19 On the previous deck cash management and core were</p> <p>20 listed separately. Are the core trades just like</p> <p>21 a subcategory of cash management, Mr. Stemper?</p> <p>22 A I don't really remember, but it looks</p> <p>23 like it.</p> <p>24 Q What's the difference between core and</p>	<p style="text-align: right;">Page 207</p> <p>1 we can move forward, plugging in those variables,</p> <p>2 giving you a very tight projection of where you'll</p> <p>3 be at any given point in the future." Did you make</p> <p>4 this statement to customers?</p> <p>5 A I don't remember.</p> <p>6 Q Well, it's on the script, right?</p> <p>7 A Yeah.</p> <p>8 Q And you followed the script, correct?</p> <p>9 A Yeah. I might have, must have.</p> <p>10 Q What does the term tight projection mean?</p> <p>11 A A good idea.</p> <p>12 Q So is it fair to say that this custom</p> <p>13 script is saying that you can give prospective</p> <p>14 customers a good idea of where they'll be at any</p> <p>15 given point in the future?</p> <p>16 A That's what it says.</p> <p>17 Q So under the Long Leaf Option</p> <p>18 Strategies heading, does this generally discuss</p> <p>19 the distinction between market-based trades and cash</p> <p>20 management trades?</p> <p>21 A Say that again? Sorry.</p> <p>22 Q Strike that. So The Core Strategy</p> <p>23 in bold here, under Heading A it says the core</p> <p>24 strategy is our most conservative trade with a</p>
<p style="text-align: right;">Page 206</p> <p>1 edge, do you remember?</p> <p>2 A No.</p> <p>3 Q So from January 2019 on cash management</p> <p>4 was the most frequently used trading strategy at</p> <p>5 Long Leaf, right?</p> <p>6 A I don't know.</p> <p>7 Q I'm going to scroll down to the</p> <p>8 second attachment to Cybulski's email, which is</p> <p>9 the Donelson-approved custom script, which starts</p> <p>10 at page 30 of Exhibit 290. What's the title of this</p> <p>11 document?</p> <p>12 A Long Leaf Trading Custom Script.</p> <p>13 Q And under agenda it says, "We are going</p> <p>14 to be discussing your objectives and the roadmap</p> <p>15 to achieving those objectives," right?</p> <p>16 A Yeah.</p> <p>17 Q And remember in the slide deck the</p> <p>18 objectives were to achieve a 10 to 12 percent annual</p> <p>19 return? Am I remembering that correctly?</p> <p>20 A Yeah.</p> <p>21 Q So under the heading The Plan</p> <p>22 here, bullet B it says, "It is also important</p> <p>23 to understand what your cost structure and what</p> <p>24 your future revenue structure looks like. Then</p>	<p style="text-align: right;">Page 208</p> <p>1 risk profile similar to a 30-year bond but it can</p> <p>2 target much higher returns, correct?</p> <p>3 A That's what it reads.</p> <p>4 Q So this is that same line that we saw</p> <p>5 in the email that you had sent out to prospective</p> <p>6 customers?</p> <p>7 A Right.</p> <p>8 Q This is a line that came from Donelson,</p> <p>9 correct?</p> <p>10 A Right.</p> <p>11 Q And then under the core strategy,</p> <p>12 please review points J through N and let me know</p> <p>13 after you've read through that.</p> <p>14 A Okay.</p> <p>15 Q This is sort of a strange analogy</p> <p>16 about a house. Does this make sense to you? Do you</p> <p>17 know what this -- can you explain this in words?</p> <p>18 A I can read it.</p> <p>19 Q Is that what you'd do with prospective</p> <p>20 customers, you would just read it?</p> <p>21 A Yeah.</p> <p>22 Q Does it make sense to you?</p> <p>23 A Yeah, it makes sense.</p> <p>24 Q Does this analogy about the \$50,000</p>

<p style="text-align: right;">Page 209</p> <p>1 house account for the risk that the house could 2 burn down? 3 A Doesn't seem to. 4 Q Does this script discuss commissions 5 anywhere? 6 A I don't remember. 7 Q Do you remember ever talking 8 to prospective customers after you received 9 this custom script in 2019 about the impact of 10 commissions on their account? 11 A Sorry, say that again. 12 MR. PLATT: Mary, can you please read 13 back the question. 14 (Whereupon the portion of the record 15 was read as requested.) 16 A I'm not sure I understand the question. 17 Sorry. 18 Q A commission is a per transaction charge, 19 right? 20 A Yeah. 21 Q And Long Leaf customers were charged 22 commissions, correct? 23 A Yeah. 24 Q In connection with the custom</p>	<p style="text-align: right;">Page 211</p> <p>1 A Yeah. 2 (Whereupon CFTC Exhibit No. 291 3 was marked for identification.) 4 Q I'm going to show you what's been 5 marked as Exhibit 291, Mr. Stemper. This is an 6 email from you to Cybulski in September of 2019. 7 The subject line is Custom PPT. Do you see that? 8 A Yeah. 9 Q And you sent this, correct? 10 A Yeah. 11 Q And it looks like you got a title 12 change to senior strategist. What's the difference 13 between senior strategist and commodity associate? 14 A I was just managing accounts that were 15 given to me. 16 Q And it looks like Long Leaf got a new 17 logo around this time, is that right? 18 A Yeah. 19 Q What was the purpose of the new logo? 20 A Rebranding. 21 Q What was wrong with the old brand? 22 A I think Jim wanted to do something, 23 just something new that didn't have to do with 24 Tim Evans.</p>
<p style="text-align: right;">Page 210</p> <p>1 presentation did you ever discuss the impact 2 of commissions charges on a customer's account? 3 A I don't remember. 4 Q That's because it doesn't mention 5 commissions, right? 6 A Huh? 7 Q You don't remember because it doesn't 8 mention commissions, correct? 9 A Yeah. 10 Q Under this heading called Portfolio 11 Calculator Walkthrough, do you remember what the 12 portfolio calculator was? 13 A Yeah, it's something that Jim designed. 14 Q What was the purpose of the portfolio 15 calculator walkthrough? 16 A I don't remember exactly. 17 Q What about generally? 18 A I think he'd put an amount in and 19 it would show you what you could target, depending 20 on how much risk you wanted to take. 21 Q So it sounds like it was a tool 22 that a customer -- that you would use in connection 23 with a custom to help explain the possible returns 24 associated with Long Leaf's trading?</p>	<p style="text-align: right;">Page 212</p> <p>1 Q Why did Jim want to do that? 2 A I don't know. 3 Q Did he ever discuss the firm's reputation 4 with you? 5 A I don't think he was happy with the 6 way that Tim traded, so he wanted to get away from 7 that into what he was trying to do. 8 Q So the attachment here is Final 9 Custom.ppt. I'm going to scroll down and show 10 you the attachment here. Do you agree that this 11 is a custom deck similar to the custom deck we just 12 reviewed that you received in January 2019? 13 A Yeah. 14 Q And this is September 2019, correct? 15 A I don't know. 16 Q Well, let's look at the email. 17 A Yeah. 18 Q And under a slide titled Our 19 Objectives there's a bullet point called Target 10 20 to 20 percent annual return after commissions and 21 fees and a bullet called Manage Downside Risk. 22 Do you see those? 23 A Yeah. 24 Q So as of, you know, September 2019</p>

<p style="text-align: right;">Page 213</p> <p>1 this concept of a targeted annual return is still 2 part of the custom pitch, right? 3 A I think so. 4 Q That's because it was always part of the 5 custom pitch, right? 6 A Wait. I'm not sure I understand. 7 Q Do you see this top bullet point on the 8 Our Objectives slide? 9 A Yeah. 10 Q What does it say? 11 A Target 10 to 20 percent annual return after 12 commission and fees. 13 Q And we saw a similar bullet point 14 on the custom deck from January of 2019, correct? 15 A Yeah. 16 Q So the question is that bullet point or 17 that concept continued to be a part of the custom 18 presentation throughout 2019, correct? 19 A Well, can we look back at it to compare 20 the two? 21 Q Sure. I'm going to toggle back to 22 Exhibit 290, which is the -- I'll show you the 23 email. This is Cybulski to you and Hatzigiannis, 24 January 28, 2019. The title is Custom Final</p>	<p style="text-align: right;">Page 215</p> <p>1 wasn't a part of the custom deck? 2 A I don't remember much from it to begin 3 with, but I don't know. 4 (Whereupon CFTC Exhibit No. 292 5 was marked for identification.) 6 Q I'm going to show you a document that 7 I've marked CFTC Exhibit 292. This is an email 8 from James Hatzigiannis to you and Cybulski from 9 March 21, 2019, right? 10 A Yeah. 11 Q It's a Google Doc. He's sending you a link 12 to a Google Doc, right? 13 A Open in Docs is what it says, yeah. 14 Q Then down at the bottom do you see where 15 it says Google Docs? 16 A Yeah. 17 Q Do you know what a Google Doc is? 18 A Yeah. 19 Q What is a Google Doc? And you can just 20 give a general answer. 21 A It's where you have documents on Google. 22 Q It's not on the Long Leaf server, right? 23 He's using Google Docs? 24 A Yeah.</p>
<p style="text-align: right;">Page 214</p> <p>1 Addition 2019 Power Point. Option Portfolio is 2 the title slide. Then there's a risk disclosure 3 slide, agenda slide. Your objectives is the fourth 4 slide. Do you see that? 5 A Yeah. 6 Q What's the top bullet? 7 A It's different than the one I just read. 8 Q Please read it into the record. 9 A It reads target 12 percent returns on 10 annual basis after commission and fees. 11 Q So what are the differences between 12 the custom deck in January 28, 2019 and September 13 of 2019? 14 A The percentage. 15 Q One says 12 percent and one says a range 16 of 10 to 20 percent, is that fair? 17 A Right, yeah. 18 Q But this concept of targeted annual returns 19 is included in both decks, correct? 20 A Right. 21 Q Because that was always a component of the 22 custom pitch, right? 23 A I don't remember if it always was. 24 Q Yeah. Do you remember a time when this</p>	<p style="text-align: right;">Page 216</p> <p>1 Q What is the pitch? What is that document 2 Hatzigiannis is sending to you? 3 A I'm not sure. 4 Q Did you search the Google Docs 5 to which you have access when you searched for 6 responsive documents related to the CFTC's subpoena? 7 A I went through my emails. 8 MR. FALVEY: But you don't have access. 9 A Yeah, I don't know if I have access to it. 10 BY MR. PLATT: 11 Q So, Mr. Stemper, on the record I'm 12 going to ask you to look and see if you still have 13 access to any Google documents related to Long Leaf 14 Trading on any account to which you have access. 15 MR. PLATT: And, Mr. Falvey, I'm sure 16 you'll assist him with that search. 17 MR. FALVEY: Yes, will do. 18 MR. PLATT: If you guys want to take 19 like a five- or ten-minute break, I think we're 20 close to the end and we can make a push after 21 like a five-minute break. 22 MR. FALVEY: Sure. 23 MR. PLATT: We'll come back at 3:20? 24 MR. FALVEY: You got it.</p>

<p style="text-align: right;">Page 217</p> <p>1 MR. PLATT: Thanks, guys.</p> <p>2 MR. FALVEY: Thank you.</p> <p>3 (Whereupon a recess was taken from</p> <p>4 3:12 p.m., to 3:30 p.m., after which</p> <p>5 the following proceedings were had:)</p> <p>6 MR. PLATT: Okay. Let's go back on the</p> <p>7 record, please.</p> <p>8 Q So, Mr. Stemper, before that break we</p> <p>9 looked at materials related to the demo and custom</p> <p>10 presentations from Long Leaf that were circulated in</p> <p>11 January of 2019. Do you remember those docs?</p> <p>12 A Yeah.</p> <p>13 Q I just -- I think it should be obvious,</p> <p>14 but I just want to get your answer. You used those</p> <p>15 documents when you solicited customers, right?</p> <p>16 A The demo script?</p> <p>17 Q Both, the demo and the custom.</p> <p>18 A Yeah.</p> <p>19 (Whereupon CFTC Exhibit No. 293</p> <p>20 was marked for identification.)</p> <p>21 Q I'm going to show you what's been marked</p> <p>22 as CFTC Exhibit 293. I'm going to share my screen</p> <p>23 again. This is an email from your customer Gaylord</p> <p>24 Hanson sent on April 3, 2019. Do you see that?</p>	<p style="text-align: right;">Page 219</p> <p>1 that the trades were losers, correct?</p> <p>2 A Right.</p> <p>3 Q Because you forwarded him customer</p> <p>4 complaints, and we've already seen one from</p> <p>5 February 19, 2019. And now we see this one,</p> <p>6 correct?</p> <p>7 A Right.</p> <p>8 Q So the beginning quarter of 2019,</p> <p>9 is it fair to characterize those results as poor?</p> <p>10 A Yes.</p> <p>11 Q I'm going to turn back to Exhibit 286,</p> <p>12 which we've seen a couple times. And before I do,</p> <p>13 I'd just note the date of Exhibit 293 is April 3,</p> <p>14 2019.</p> <p>15 MR. FALVEY: Got it.</p> <p>16 BY MR. PLATT:</p> <p>17 Q And now we're going to go to</p> <p>18 Exhibit 286, and we've looked at this email a few</p> <p>19 times. The date is April 8, 2019. And this is your</p> <p>20 email to a prospective customer, right?</p> <p>21 A Yes.</p> <p>22 Q So this is about a week after your</p> <p>23 customer, Mr. Hanson, tells you that all his trades</p> <p>24 are losers, right?</p>
<p style="text-align: right;">Page 218</p> <p>1 A Yeah.</p> <p>2 Q Mr. Hanson writes, "Please let me</p> <p>3 know how I can get out of these trades as soon</p> <p>4 as possible. My net liquidating balance is down,</p> <p>5 is showing a drawdown of about 50 percent. There</p> <p>6 hasn't been any trade that has yet resulted in any</p> <p>7 net gains. Those are dismal results." Did I read</p> <p>8 that correctly?</p> <p>9 A Yeah.</p> <p>10 Q So this is about, you know, three</p> <p>11 months after we've seen Donelson take over the</p> <p>12 trading. Remember the December client update where</p> <p>13 he said I'm in charge now?</p> <p>14 A Yeah.</p> <p>15 Q So were you concerned that three</p> <p>16 months after Donelson takes over, a customer is</p> <p>17 telling you that all the trades have been losers?</p> <p>18 A Was I concerned?</p> <p>19 Q Yeah. Were you concerned about that?</p> <p>20 A I don't remember what I was thinking.</p> <p>21 Q Did you tell Donelson that a customer had</p> <p>22 told you that all the trades were losers?</p> <p>23 A Probably.</p> <p>24 Q So it wasn't like a mystery to Donelson</p>	<p style="text-align: right;">Page 220</p> <p>1 A Yeah.</p> <p>2 Q And Mr. Hanson also says that his account</p> <p>3 was down by about 50 percent overall, correct?</p> <p>4 A Right.</p> <p>5 Q And your email to Mr. Sullivan, the</p> <p>6 prospective customer, is describing a strategy</p> <p>7 that targets an annual return of 10 to 15 percent.</p> <p>8 Why would you have sent this email when you knew</p> <p>9 that customers were losing money?</p> <p>10 A I was told to.</p> <p>11 Q By whom?</p> <p>12 A Jim.</p> <p>13 Q And this email also contains the</p> <p>14 statement that Long Leaf's trading strategy</p> <p>15 has a risk profile similar to a 30-year bond.</p> <p>16 Why would you have told a customer, a prospective</p> <p>17 customer that when you knew that customers were</p> <p>18 losing money and none of the trades were winners?</p> <p>19 A It's what I was told to say.</p> <p>20 Q What do you mean per se? What is that</p> <p>21 qualifier?</p> <p>22 A No, to say.</p> <p>23 Q Oh, to say. I'm sorry. I misheard</p> <p>24 you. So Sullivan asks for a track record, right?</p>

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1 A Yeah.

2 Q Did you pull Long Leaf's track record and

3 send it to him at that point?

4 A I don't know that I had access to a track

5 record at that point.

6 Q Did you ask Donelson for a track record?

7 A I don't know. I don't remember.

8 Q So Donelson told you to say -- Donelson

9 told you to describe Long Leaf's trading strategy

10 as targeting annual returns of 10 to 15 percent.

11 I just want to clarify was this 30-year bond risk

12 profile comparison, that was also Donelson's idea,

13 right?

14 A Yeah.

15 (Whereupon CFTC Exhibit No. 294

16 was marked for identification.)

17 Q I'm going to show you what's marked

18 as CFTC Exhibit 294, and you'll see it's an email

19 from your customer Alan Godwin to you on May 1,

20 2019, correct?

21 A Yep.

22 Q And earlier we saw Godwin send you

23 an email in February of 2019 telling you that his

24 account had been drawn down by half, correct?

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1 A Yeah.

2 Q And here he says, "Since I wrote you

3 a letter near the start of the year, Long Leaf has

4 lost me an additional \$6,000 and I have to stop the

5 bleeding." Did I read that correctly?

6 A Yeah.

7 Q So this is another month goes by,

8 another customer telling you that they're sustaining

9 significant losses based on the Long Leaf Trading

10 recommendations, right?

11 A Right.

12 Q And those include the cash management

13 strategy recommendations?

14 A Yeah. Or, wait, sorry. What was the

15 question?

16 Q Mr. Godwin followed Long Leaf's trading

17 recommendations, right?

18 A Yeah, but I don't know if they were cash

19 management trades.

20 Q What kind of trades do you think he did

21 if they weren't cash management?

22 A I can't remember exactly, but it might have

23 been the market driven, but I'm not sure.

24 Q Okay. So it sounds like you don't have

Page 223

1 a firm recollection of what trades he was engaged

2 in?

3 A Right, right.

4 Q But cash management was one of the

5 strategies that Long Leaf was using at the time,

6 right?

7 A Yes.

8 Q And it was the one that you highlighted

9 in your emails to prospective customers, right?

10 A In that one example, yeah. I don't

11 remember others.

12 Q The demo script and the custom script

13 both referenced the cash management strategy, right?

14 A I believe so.

15 Q So you forwarded this email to Donelson.

16 Do you see that at the top?

17 A Yeah.

18 Q How come you did that?

19 A Anytime that I had concerns from a client

20 I made Jim aware.

21 Q Do you think this was around the

22 time when the Long Leaf staff had the discussion

23 in the office to address concerns about the trading

24 performance?

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1 A I don't know.

2 Q At this time you were concerned about

3 trading performance, though, right?

4 A I can't remember what I was thinking,

5 but probably.

6 Q Well, you forwarded it to Donelson,

7 and I think your testimony was you forwarded things

8 to Donelson when you were concerned about them?

9 A Right. I said when a client was concerned.

10 Q Okay. And in this email your client,

11 Mr. Godwin, tells you that he's down \$6,000 in two

12 or three months. Did that concern you?

13 A I needed to make Jim aware of it.

14 Q I'm asking did it concern you.

15 A I don't remember what I was thinking.

16 Q Sitting here today, reading that

17 a customer lost \$6,000 in two or three months, does

18 that concern you?

19 A Yeah, it's concerning.

20 Q Why?

21 A Why wouldn't it be?

22 Q I'm just asking you like what is the basis

23 for your concern?

24 A That he's losing money.

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1 Q And if you have that reaction now, is it
 2 fair to say that you probably had that reaction in
 3 May of 2019 when you got this email?
 4 A It's probably why I forwarded it to Jim.
 5 Q Because you were concerned, right?
 6 A Yeah.
 7 Q Because customers were losing money?
 8 A Right.
 9 (Whereupon CFTC Exhibit No. 295
 10 was marked for identification.)
 11 Q I'm going to click to what's been marked
 12 as CFTC Exhibit 295. And this is an email from
 13 you and then the recipient is like a jumbled email
 14 address on May 2, 2019, and tell me if you think
 15 this is wrong. I think this is an email that you
 16 sent to a prospective client. Do you think that's
 17 accurate?
 18 A Right.
 19 Q So this is the day after you received
 20 Godwin's email telling you that he's down \$6,000
 21 and you forwarded it to Donelson because of your
 22 concern for customer losses. And in your email to
 23 prospective customer Clyde you write --
 24 MR. FALVEY: Did you ask the question,

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1 Jody? I'm sorry.
 2 MR. PLATT: No, I'm trying to find
 3 the quote. Hold on for a second. I'm sorry.
 4 MR. FALVEY: Oh, no worries. Just
 5 wanted to make sure we didn't miss it or
 6 miss it.
 7 BY MR. PLATT:
 8 Q So in the middle of this big block of text,
 9 Mr. Stemper, you know, after you forward Godwin's
 10 email to Donelson out of concern for customer losses
 11 you write, "Our strategies are designed to help you
 12 understand and manage your existing downside risk
 13 to create a lower risk active trading strategy in
 14 markets you may not have access to and, of course,
 15 target nice, consistent returns."
 16 What were the nice, consistent
 17 returns you were talking about in this email to
 18 a prospect the day after you received an email from
 19 a customer reflecting \$6,000 in losses?
 20 A One second. Where does he say that?
 21 Q I'm going to highlight the beginning of
 22 the sentence --
 23 A Yeah, yeah.
 24 Q -- because it's in the middle and it's

Page 227

1 hard to find.
 2 MR. FALVEY: It's our strategies, right?
 3 A Our strategies are designed. Right.
 4 That's what we were told to say to prospects, that
 5 we were going to target consistent returns.
 6 BY MR. PLATT:
 7 Q Did it ever strike you as odd that
 8 you were telling prospects that the strategy
 9 targeted consistent returns when in fact customers
 10 were telling you that they were losing very large
 11 sums of money?
 12 A Did it strike me a concern? It was
 13 just -- it was aspirational. It's what we were --
 14 the goal was.
 15 Q It wasn't grounded in reality, right?
 16 A Not in the history.
 17 Q Because there was never a time where
 18 Long Leaf generated nice, consistent returns for
 19 its clients, right?
 20 A I think there was a time.
 21 Q What time do you think Long Leaf generated
 22 nice, consistent returns for its clients?
 23 A I don't remember, but I just remember
 24 there being a string of winning trades.

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1 Q So it must have been after June 3,
 2 2019, right, because we already established that
 3 no customers made money between December 2018 and
 4 June 2019, right?
 5 A None of my customers.
 6 Q What's that?
 7 A None of my customers.
 8 Q So you think other customers made money
 9 but your customers all lost, is that your testimony?
 10 A I don't remember exactly, but I just
 11 know that there were other customers that were in
 12 different trades that some of my customers might not
 13 have been in.
 14 Q Well, you said that Laws was one of your
 15 customers and he was in those different trades,
 16 right?
 17 A I believe so.
 18 Q Let's look at Laws' trading statements.
 19 MR. PLATT: I'm going to mark Michael
 20 Laws' trading statements as CFTC Exhibit 301.
 21 (Whereupon CFTC Exhibit No. 301
 22 was marked for identification.)
 23 Q Can you see these?
 24 A Yeah.

<p style="text-align: right;">Page 229</p> <p>1 Q Do you recognize this as a Cunningham 2 statement for Michael Laws from March 5, 2019? 3 A Yeah. 4 Q He opened his account with \$29,750? 5 A Yeah. 6 Q So after March I'm going to show you 7 a statement from the end of March, March 29, 2019. 8 What's the net liquidating value? 9 A I can't read it. 10 Q Can you read it now? 11 A It says 29,605. 12 Q Is that higher or lower than 29,750? 13 A It's lower. 14 Q I'm going to go to the -- at the end 15 of next month, April 30, 2019. What is your client, 16 Michael Laws' net liquidating value at the end of 17 April 2019? 18 A 27,352. 19 Q Is that higher or lower than 29,750? 20 A That's lower. 21 Q I'm going to go to Michael Laws' statement 22 for May 31, 2019, after May 2019. What is the net 23 liquidating value reflected on this statement? 24 A It's 24,898.</p>	<p style="text-align: right;">Page 231</p> <p>1 A 14,993. 2 Q November 29, 2019, after the trading 3 activity in November of 2019 what is Laws' net 4 liquidating value? 5 A 614. 6 Q December 31, 2019, what is Laws' trading 7 value at the end of the year? 8 A That's 577. So that's -- 9 Q So he lost over \$29,000, right? 10 A Yeah. 11 Q Where were the gains in Michael Laws' 12 account? 13 A You saw he had one gain one month. 14 But when I was referring to -- I said it wasn't my 15 client that I was referring to that had a string of 16 successful trades. I thought Michael might have. 17 But, honestly, I didn't remember how bad it was 18 or -- yeah, I just didn't remember. 19 Q So you're right, Laws had one small 20 month. But every other month was consistently down 21 and his account was always underwater, correct? 22 A Yeah. 23 Q So I'm going to go back to Exhibit 295. 24 This is your email to the prospect on May 2, 2019</p>
<p style="text-align: right;">Page 230</p> <p>1 Q Is that higher or lower than 29,750? 2 A It's lower. 3 Q So then after June's trading activity, 4 I'm going to go to the account statement for Michael 5 Laws from the last trading day of June, June 28, 6 2019. What is the net liquidating value on this 7 statement? 8 A 21,550. 9 Q I'm going to go to the statement for 10 the month end of July -- or the daily statement 11 for the last trading day in July, July 31, 2019 12 for your customer Michael Laws. What's the net 13 liquidating value there? 14 A 24,847. 15 Q I'm going to go to the August 30th 16 statement next. What's the net liquidating value? 17 A 24,505. 18 Q September 30th, the last trading day 19 in September of 2019, what's the net liquidating 20 value for Laws' statement? 21 A 20,908. 22 Q October 31st, after the month 23 of October's trading activity what is Laws' net 24 liquidating value?</p>	<p style="text-align: right;">Page 232</p> <p>1 where you described nice, consistent returns. 2 In May there was really no basis to make this 3 statement, correct? 4 A No. 5 Q Because by then Donelson had had 6 four months directing the trading activity. All 7 of them resulted in losses, correct, losses every 8 month for every customer from January 2019 -- 9 A Not every customer. 10 Q -- to May 2nd? There were customers that 11 made money during this stretch? 12 A I can't remember his name, but it 13 was a client of Ben's that was making good money 14 and then up until the end where it was lost. 15 Q So you're describing one customer? 16 A Yeah. And those were trades that 17 I don't know if Jim was -- I don't know if he 18 was sharing with all of the clients or if it was 19 just for that client and he was testing it with him 20 because he was okay with it. But that's what I mean 21 when I said I have faith in Jim's trades, and I just 22 trusted Jim and I thought that he would be able to 23 turn it around. 24 Q And the basis of that belief was your</p>

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1 understanding that one customer, who wasn't your
 2 customer, may have been making money in a strategy
 3 that was only suggested to that one customer. Is
 4 that like a fair summary?
 5 A Yeah.
 6 Q Why would Donelson only offer those
 7 trades to one single customer, especially if they
 8 were winners?
 9 A Well, this particular customer
 10 or client, he was -- he was okay with doing --
 11 I think it was presented to him as an alternative
 12 strategy that wasn't being offered to everyone and
 13 he was okay with it. And Jim was working towards
 14 becoming a CTA and this was the strategy that he
 15 was going to be utilizing, being more in and out
 16 of the market as he saw fit.
 17 Q Tell me more about your understanding
 18 of Jim working towards being a CTA.
 19 A I don't know too much. I just --
 20 I know that's what he said the goal was, to become
 21 a CTA. He wanted to become a CTA. That's really
 22 all I knew.
 23 Q Did he say that to you sort of in the
 24 office in a verbal discussion?

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1 A Yeah.
 2 Q Was it like around this time period,
 3 summer of 2019?
 4 A I would say so, if not before or a little
 5 bit after. I think it was in the discussion before,
 6 and I don't know why it didn't happen. I can't
 7 remember exactly.
 8 Q What is a CTA?
 9 A Remind me. I cannot even remember what
 10 it stands for.
 11 Q Do you -- would it refresh your
 12 recollection if I said commodity trading advisor?
 13 A Right. Well, from what I understand,
 14 a CTA, the -- Jim in this scenario would trade on
 15 his own discretion for clients.
 16 Q As opposed to getting the clients' approval
 17 on a trade-by-trade basis?
 18 A Right.
 19 Q And in Long Leaf's and Donelson's
 20 understanding, what they were doing with the
 21 trade-by-trade approvals was not acting as a CTA?
 22 A I'm sorry. Say that again.
 23 Q I think you testified that Donelson
 24 told you that he wanted to work towards becoming

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1 a CTA. Is that a fair representation?
 2 A Yeah, yeah.
 3 Q And was it your understanding
 4 at the time that what Long Leaf was doing
 5 with the trade-by-trade recommendations, was it
 6 everyone's understanding that that was not acting
 7 as a commodity trading advisor?
 8 A I'm sorry. Could you repeat that one more
 9 time? My brain's turning to mush.
 10 Q That's okay. Why did Donelson want to
 11 become a CTA?
 12 A I don't know exactly why he wanted
 13 to do it. I think he thought it would improve the
 14 trading results.
 15 Q And your testimony is that in
 16 connection with wanting to register as a CTA,
 17 he proposed a subset of trades to one customer that
 18 he didn't propose to other customers and that one
 19 customer performed well?
 20 A Yes.
 21 Q But it wasn't your customer, right?
 22 A No.
 23 Q Did you ever take any steps to
 24 determine whether or not that customer was

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1 actually making money?
 2 A Take any steps? I just thought he was,
 3 from what I heard.
 4 Q So in the -- in this April 8, 2019
 5 email to prospect Sullivan, you're not describing
 6 Donelson's new CTA strategy, right? You're
 7 describing the cash management strategy, correct?
 8 A Yeah.
 9 Q And you say that the cash management
 10 strategy targets an annual return of 10 to
 11 15 percent, right?
 12 A That's what we were told.
 13 Q So you're not referring to the
 14 new testing strategy, Mr. Stemper, right? In all
 15 these emails you're referring to the cash management
 16 strategy and the demo and the custom decks refer to
 17 the cash management strategy, right?
 18 A They do.
 19 Q And we've seen that the trading
 20 strategies that were employed by Long Leaf in 2019
 21 resulted in significant and consistent losses,
 22 right?
 23 A Except for one month.
 24 Q Where it was flat, right?

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1 A No, there was one month that he made
 2 back some money. It looks like he made 4,000.
 3 Q How much did he make back? How much?
 4 A Michael Laws, thinking back to Michael
 5 Laws, it looked like it went up 4,000.
 6 Q 4,000? Which month was that?
 7 A Try September.
 8 Q Okay, fair. So I'm just going
 9 to click -- I'm going to say, and you can agree or
 10 not so the record's clear, June 28, 2019 statement
 11 for Laws, the net liquidating value is 21,550.
 12 July 31, 2019, net liquidating value is 24,847.
 13 A Right.
 14 Q So you're right. There was a little bump
 15 there.
 16 A Yeah.
 17 Q But over time you'll agree that the account
 18 was decimated, correct?
 19 A Yeah. Nice word for it.
 20 Q And this up month that you're
 21 referring to is July of 2018. And all the emails
 22 we're looking at, CFTC Exhibits 292 through 295,
 23 those all occurred in the spring before July
 24 happened, right?

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1 A I'm sorry. Say that again.
 2 Q You described a month in July 2018,
 3 and we're looking at the statement here, that shows
 4 a gain for Laws, right?
 5 A Yes.
 6 Q July 2019. I'm sorry. I misspoke.
 7 And the emails to the customers in which you
 8 describe the cash management strategy as having --
 9 as targeting nice, steady returns and 10 to
 10 15 percent returns that we've just looked at in
 11 CFTC Exhibits 294 and 296 -- or 294 and 295, those
 12 occurred in the spring of 2019, right?
 13 A Yeah.
 14 Q So that's before you would have had
 15 a basis based on Laws' July 2019 performance to
 16 make those statements, right?
 17 A Yeah, I don't know. Sorry. I'm losing it.
 18 Q Well, let me see if I can rephrase.
 19 In the spring of 2019 you're telling customers that
 20 the cash management strategy can target 10 percent
 21 returns, right?
 22 A That was the goal, yeah.
 23 Q That was part of the standard pitch,
 24 correct?

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1 A Yeah.
 2 Q But all the information available to
 3 you suggested that Long Leaf only ever lost money
 4 for its clients, correct?
 5 A No, because like I said, the client
 6 that I didn't have, I remember he was making a
 7 lot of money.
 8 Q But that wasn't the cash management
 9 strategy, right? That's Donelson's new test
 10 strategy. That's what you testified to?
 11 A Right, right.
 12 Q But in your emails you're describing the
 13 cash management strategy, right?
 14 A Right.
 15 Q Right. And that only resulted in losses,
 16 correct?
 17 A It seems so.
 18 (Whereupon CFTC Exhibit No. 296
 19 was marked for identification.)
 20 Q I'm going to show you what's been
 21 marked as CFTC Exhibit 296. This is from Donelson
 22 to Hatzigiannis, you and Cybulski, the three Long
 23 Leaf brokers, May 20, 2019, correct?
 24 A Yeah.

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1 Q Subject line, New Track Record, right?
 2 A Yeah.
 3 Q And he attaches a document that
 4 Donelson has titled Track Record Core Strategy
 5 5-20-2019, right?
 6 A Yeah.
 7 Q What information is Donelson sending you
 8 in this document?
 9 A It's a track record.
 10 Q Did Donelson keep track of his trading's
 11 track record?
 12 A I believe so.
 13 Q Where did he keep track of it?
 14 A I'm not sure exactly.
 15 Q Did he email it out regularly? Did he save
 16 it on a database? Do you have any idea?
 17 A I think he had it on a database, and I'm
 18 not sure how often he sent it. I can't remember.
 19 Q Okay. Do you recognize this, you know,
 20 this kind of document? Not this specific one but
 21 generally?
 22 A Yeah, yeah.
 23 Q And this is Donelson's track record
 24 document, right?

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1 A One of them.
 2 Q And there's 13 trades here, 4 of which
 3 were from 2018, and those were also the trades that
 4 were on Hatzigiannis' track record document, and
 5 then we see 9 trades from 2019, is that right?
 6 A Yeah.
 7 Q What trades are these?
 8 A What do you mean?
 9 Q Are these cash management trades?
 10 A I think so because they were bonds, most
 11 of them, and currencies.
 12 Q And do you see how he used like
 13 these little code names, Yankee, XRAY, Victor?
 14 A Yeah.
 15 Q Is that what he did with cash management
 16 trades?
 17 A Yeah.
 18 Q So the track record here, Mr. Stemper,
 19 the total average shows that it's up .63 percent,
 20 right?
 21 A Yeah.
 22 Q How can that possibly be true?
 23 A This is how Jim defined it.
 24 Q Can you explain how Jim defined it to me?

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1 A I don't remember exactly how. These are
 2 just the cash management trades.
 3 Q But we've seen, you know, emails
 4 from your customers right before this one that
 5 say things like I have had no winning trades, my
 6 account is down \$6,000. How do you square that with
 7 this document which shows slightly positive overall
 8 returns as of May 2, 2019?
 9 A How do I what?
 10 Q How do you square those two pieces
 11 of information?
 12 A I don't remember.
 13 Q Do you think Donelson was telling you
 14 the truth?
 15 A I would like to believe so.
 16 Q Did Donelson tell you to share this
 17 information with prospective customers?
 18 A Yeah.
 19 Q How did he tell you to share it with them?
 20 A I can't remember exactly.
 21 Q By phone?
 22 A I don't remember.
 23 Q Did he tell you that you can email this
 24 to customers?

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1 A I don't remember.
 2 Q But you do remember that Donelson
 3 authorized you to share this information reflected
 4 in CFTC Exhibit 296 with prospective customers?
 5 A Yeah.
 6 Q Did you ever say, hey, Jim, what is this
 7 information? This is totally out of sync with what
 8 I'm hearing from clients?
 9 A I can't remember if I did or not.
 10 Q Not in those exact words, but generally
 11 did you call into question the discrepancy between
 12 the information Donelson was giving you on the one
 13 hand with information you had available to you from
 14 customer complaints and customer statements on the
 15 other hand?
 16 A I don't remember.
 17 Q Other than that one time you do --
 18 you recall expressing a concern to Donelson and then
 19 you had the big group discussion, right?
 20 A Yeah.
 21 Q Did you ever talk to the other brokers
 22 about these track record documents?
 23 A I don't really remember if we did or not.
 24 Q Did you ever talk to other brokers

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1 about Long Leaf's trading performance generally?
 2 A I think, yeah, we spoke about it amongst
 3 ourselves, but I can't remember what was said.
 4 Q What was the general nature of the
 5 conversation?
 6 A Just expressing a concern that our clients
 7 had been showing us, emailing us.
 8 Q Clients had been emailing you about losses,
 9 right?
 10 A Just like the one you had -- the one you'd
 11 showed me.
 12 Q Yeah, reflecting customer losses. So
 13 you remember having discussions with Hatzigiannis
 14 and Cybulski about the losses that customers
 15 reported to you, right?
 16 A I don't really remember the discussions.
 17 Q But generally you remember having them
 18 or them taking place, right?
 19 A Yeah.
 20 Q I don't mean like a specific
 21 conversation between you and Cybulski in an office
 22 exactly what was said. I mean the three of you,
 23 Hatzigiannis, Cybulski and yourself, would generally
 24 discuss the fact that customers were losing money,

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1 right?
 2 A Right.
 3 Q And were these track record documents
 4 that Donelson provided to you, were those a part
 5 of the discussion?
 6 A I don't remember.
 7 Q What about generally, did you ever
 8 discuss with the other brokers Jim is telling us
 9 that the results are positive, not negative?
 10 A I don't remember.
 11 Q And, again, I don't mean those
 12 exact words. I mean in the broadest possible sense
 13 generally did you discuss those topics?
 14 A I'm not sure.
 15 (Whereupon CFTC Exhibit No. 297
 16 was marked for identification.)
 17 Q I'm going to show you a document that's
 18 been marked as CFTC Exhibit 297. So this is an
 19 email to Mark Carmichael from you dated August 7,
 20 2019, right?
 21 A Yeah.
 22 Q And Carmichael's one of your customers,
 23 correct?
 24 A Yes.

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1 Q We looked at his statements earlier,
 2 and his account was drawn down significantly over
 3 about the course of a year?
 4 A Yeah.
 5 Q And you're telling Mr. Carmichael,
 6 "I attached our trade recommendations as well as
 7 a trading summary," right?
 8 A Yeah.
 9 Q So I want to look at that trading summary,
 10 so I'm going to scroll down to the attachment. This
 11 is the trading recommendation, right?
 12 A Yes.
 13 Q And this is the trading summary, correct?
 14 A Yes.
 15 Q How did you get this document?
 16 A Jim created it.
 17 Q What information is included in this
 18 document?
 19 A The trades and their profit or loss.
 20 Q And am I reading this document
 21 correctly that Carmichael's net P&L year to date
 22 through June 25, 2019 is negative \$4,514?
 23 A From January 4, 2019 to, yeah, that
 24 June 17, 2019.

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1 Q And what's this disclaimer?
 2 A It's a disclaimer.
 3 Q What does it say?
 4 A Do you want me to read it?
 5 Q Generally why was this included?
 6 A I don't remember exactly why. I just --
 7 I think it was -- it had to be there.
 8 Q Do you think this information is
 9 consistent with the information in the Cunningham
 10 statements?
 11 A I don't know if it is or not.
 12 Q Did you ever confirm whether or
 13 not Donelson's statements matched the information
 14 in the Cunningham statements?
 15 A I can't remember.
 16 Q You can't remember doing it or you can't
 17 remember whether or not --
 18 A I don't know. Is that the same loss
 19 like in that period of time that reflects in the
 20 statement?
 21 Q Yeah, that's my question. Did you ever
 22 look to see if that was consistent?
 23 A I don't know. I don't know. Do you?
 24 Q And Donelson told you to send this to

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1 Carmichael, right?
 2 A Yeah.
 3 Q So looking at, you know, Donelson's
 4 track record summary from Exhibit 296 that we just
 5 looked at and then this Carmichael summary, are
 6 these supposed to be net of commissions?
 7 A I think commissions are included in there,
 8 but I don't know. I can't remember.
 9 Q So you could have just told Carmichael
 10 to pull up his statement, right?
 11 A I don't know what you mean.
 12 Q If Carmichael's asking you for this
 13 information, his account performance --
 14 A He has his statements, yeah.
 15 Q Yeah. So here's -- I'm going to really
 16 shift gears here. This is a super boring question.
 17 Did Long Leaf customers ever receive any training
 18 or information about how to read their statements?
 19 A Yeah.
 20 Q Tell me about that.
 21 A I remember when a client signed up,
 22 basically it was read to them how to read it and
 23 what everything meant.
 24 Q Who performed those -- who at Long Leaf

<p style="text-align: right;">Page 249</p> <p>1 was responsible for doing that?</p> <p>2 A Everyone did it.</p> <p>3 Q So the brokers did it with their new</p> <p>4 clients?</p> <p>5 A Yeah.</p> <p>6 Q Okay. So, Mr. Stemper, you know, we've</p> <p>7 just looked at an email from a customer telling you</p> <p>8 his account was down 50 percent and that he had had</p> <p>9 no winning trades through April 1, 2019. We've</p> <p>10 looked at an email from a customer telling you</p> <p>11 his account was down \$6,000 between February 19,</p> <p>12 2019 and May 1, 2019. We've looked at documents</p> <p>13 showing that all of your customers lost money</p> <p>14 between December 2018 and June 2019. We've looked</p> <p>15 at Carmichael's documents showing that through</p> <p>16 June --</p> <p>17 (Whereupon there was a technical</p> <p>18 interruption in the videoconference,</p> <p>19 after which the following proceedings</p> <p>20 were had:)</p> <p>21 MR. PLATT: Can you please just let us</p> <p>22 know where you left off and we can backtrack.</p> <p>23 (Whereupon the portion of the record</p> <p>24 was read as requested.)</p>	<p style="text-align: right;">Page 251</p> <p>1 represented in the cash management breakdown that</p> <p>2 you saw.</p> <p>3 (Whereupon CFTC Exhibit No. 298</p> <p>4 was marked for identification.)</p> <p>5 Q I see. So on CFTC -- what's been</p> <p>6 marked as CFTC Exhibit 298, this is an email from</p> <p>7 you to thetaxman@sc.rr.com from August 8, 2019,</p> <p>8 correct?</p> <p>9 A I can't see it.</p> <p>10 MR. FALVEY: It's not up.</p> <p>11 MR. PLATT: Oh, sorry. I took it down.</p> <p>12 Thank you.</p> <p>13 Q Do you see the document I just described?</p> <p>14 A Yes.</p> <p>15 Q And it's from one day after you sent</p> <p>16 Carmichael his trading summary, correct?</p> <p>17 A I don't know. Is it?</p> <p>18 Q This is August 8th and I'll just</p> <p>19 toggle back to Exhibit 297 for a second. What is</p> <p>20 the date on the email you sent Carmichael?</p> <p>21 A Yeah, it's the day before.</p> <p>22 Q So one day after you sent Carmichael</p> <p>23 his trading summary you say to Mr. Zimmerman,</p> <p>24 "Your application was approved and we are ready</p>
<p style="text-align: right;">Page 250</p> <p>1 MR. PLATT: Okay, great. I'll just --</p> <p>2 I'll resume from there based on memory. You</p> <p>3 only missed about a sentence.</p> <p>4 THE REPORTER: Oh, great.</p> <p>5 BY MR. PLATT:</p> <p>6 Q And I think it was we looked at</p> <p>7 Carmichael's statement showing \$4500 in losses</p> <p>8 year to date. And all these, all these customers</p> <p>9 that we've just discussed, they followed Long Leaf's</p> <p>10 trading recommendations, right, Mr. Stemper?</p> <p>11 A Yeah.</p> <p>12 Q So I just want to go back to it. How</p> <p>13 do you reconcile that track record document that</p> <p>14 Donelson sent to you that showed overall positive</p> <p>15 returns with this overwhelming indicia of</p> <p>16 significant drawdowns?</p> <p>17 A What's the question?</p> <p>18 Q How do you square Donelson's track</p> <p>19 record document which showed positive returns</p> <p>20 with all these pieces of information that only</p> <p>21 show significant drawdowns? How do you square those</p> <p>22 two things?</p> <p>23 A I think that the clients were taking</p> <p>24 on other trades -- or trades other than what was</p>	<p style="text-align: right;">Page 252</p> <p>1 to start trading when you are able to fund the</p> <p>2 account." What's going on here?</p> <p>3 A Your application was approved and we are</p> <p>4 ready -- exactly what I wrote.</p> <p>5 Q So let me just summarize what I think</p> <p>6 happened. You successfully solicited Mr. Zimmerman.</p> <p>7 He's sort of in a holding pattern. He hasn't put</p> <p>8 any money into his account yet, is that fair?</p> <p>9 A Yeah.</p> <p>10 Q Then in the second paragraph you write</p> <p>11 to Mr. Zimmerman, "We've been posting great results.</p> <p>12 I'd be more than happy to get you back up to speed."</p> <p>13 Did I read that correctly?</p> <p>14 A Yeah.</p> <p>15 Q What great results were you describing</p> <p>16 to Mr. Zimmerman to get him to fund his account?</p> <p>17 A The results that you had showed us.</p> <p>18 Q All the customer losses, is that what</p> <p>19 you mean?</p> <p>20 A No, the trade breakdown.</p> <p>21 Q The Donelson document from May 2nd?</p> <p>22 A Yeah, yeah.</p> <p>23 Q That's what you were relying on when</p> <p>24 you made this statement?</p>

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1 A Right.
 2 Q And you didn't tell Mr. Zimmerman
 3 that many or all of your clients through at least
 4 June had experienced major drawdowns, right?
 5 A Right.
 6 Q He probably wouldn't have funded his
 7 account if you told him that, right?
 8 A I don't know.
 9 Q If you were opening an investment account
 10 and your broker told you that their strategy had
 11 resulted in losses across the board for all their
 12 clients, would you have put money into the account?
 13 A I would have to believe in the future of
 14 it, and I did at the time.
 15 Q So you would just take it on faith that
 16 the track record would get turned around?
 17 A If you ever spoke to Jim and heard his
 18 explanation for everything, then you might agree,
 19 yeah.
 20 Q Tell me about Jim. Why do you say that?
 21 A He was just really smart and he knew how
 22 to explain things well.
 23 Q Was he a confident guy when you talked
 24 to him?

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1 A Yeah.
 2 Q Like confident in his convictions?
 3 A Sure.
 4 Q Where did that confidence come from
 5 because, you know, you've explained earlier that
 6 he used to be an accountant, right? He's not -- he
 7 doesn't have a career trading options or managing
 8 money, right?
 9 A Well, he did manage money for that
 10 one church thing, whatever that was. I forgot.
 11 Q Your understanding is that Donelson managed
 12 money for the United Methodist Church?
 13 A Right.
 14 Q Where did you come to that understanding?
 15 A It's what we were told.
 16 Q Donelson told you that?
 17 A Yeah, I'm pretty sure that it's --
 18 I can't remember it exactly. I'm just referring
 19 to what I read earlier because I don't remember
 20 it too much.
 21 Q So if you got that information from
 22 anyone, it would have been from Donelson, right?
 23 A Yes.
 24 Q And by "that information," I mean the

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1 concept that Donelson had professional experience
 2 managing money using complex options strategies,
 3 right?
 4 A Right, but I don't know if he was
 5 using options strategies for that or if he was
 6 using something else. I just know he was managing
 7 it. I can't remember.
 8 Q So just bear with me for one second,
 9 Mr. Stemper.
 10 A One weird thing about that email was
 11 that it didn't have the new logo. It had the old
 12 one.
 13 Q The logo to -- the email to Zimmerman?
 14 A Yeah.
 15 Q Weird. So you told Mr. Zimmerman
 16 we've been posting great results, right? Did that
 17 convince Mr. Zimmerman to fund the account?
 18 A I don't remember.
 19 Q You don't remember if he funded his
 20 account?
 21 A I want to say he did, but I'm not totally
 22 sure.
 23 Q Okay. Well, I'll ask you a hypothetical.
 24 If Mr. Zimmerman funded his account in August or

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1 September of 2019, how do you think that worked
 2 out for him?
 3 A At what time?
 4 Q Let's say hypothetically that Mr. Zimmerman
 5 funded his account in September of 2019. How do you
 6 think that worked out for him?
 7 A I can't remember.
 8 Q I'm just asking you to speculate, not give
 9 me your memory.
 10 A I don't want to speculate.
 11 Q But unfortunately you have to.
 12 A Well, if he was in the same trades
 13 as the losing trades were, then I would suppose
 14 that he would be losing.
 15 Q Well, there was only one client who was
 16 in the special trades, right, from your testimony
 17 earlier?
 18 A Yeah. If Will was a client, he might have
 19 been in those. I'm not sure.
 20 Q What's that?
 21 A Will might have been in those trades if he
 22 was a client. I can't remember, though.
 23 Q He might have been in the special
 24 trades with the one other customer whose name you

<p style="text-align: right;">Page 257</p> <p>1 don't know?</p> <p>2 A Correct.</p> <p>3 (Whereupon CFTC Exhibit No. 299</p> <p>4 was marked for identification.)</p> <p>5 Q Okay. Well, I'm going to show you</p> <p>6 what's been marked as Exhibit 299 and represent to</p> <p>7 you that Mr. Zimmerman in fact funded his account</p> <p>8 after you told him that Long Leaf had been posting</p> <p>9 great results. And you'll see that on December 31,</p> <p>10 2019 Mr. Zimmerman emails Vicki Donelson, right?</p> <p>11 A Yeah.</p> <p>12 Q And he writes, "Mrs. Donelson, Alex</p> <p>13 Stemper is my representative, but I have not been</p> <p>14 able to reach him. You may or may not remember me,</p> <p>15 but I am Willie Zimmerman, owner of Account 4158</p> <p>16 with Commodities, LLC. I see that my initial cash</p> <p>17 investment of \$15,000 on September 20, 2019 has</p> <p>18 dwindled considerably with only one open position</p> <p>19 to close." And then he asks, "Please advise if</p> <p>20 \$4,679 is the true liquidating balance as of</p> <p>21 December 31, 2019." Did I read that correctly?</p> <p>22 A Right.</p> <p>23 Q Does this confirm your speculation</p> <p>24 that if Zimmerman had in fact funded his account,</p>	<p style="text-align: right;">Page 259</p> <p>1 A Right.</p> <p>2 Q He did fund his account and then he</p> <p>3 lost \$10,000 in the span of three months, correct?</p> <p>4 A Yeah.</p> <p>5 Q And when you told him Long Leaf had</p> <p>6 been posting great results, your customers had only</p> <p>7 been experiencing losses, correct?</p> <p>8 A Yeah. But when I was saying that, I</p> <p>9 was referring to the string of -- well, the trades</p> <p>10 that you showed that Jim created, that sheet, that's</p> <p>11 what I was referring to and I believe that's what</p> <p>12 I had intended on him trading in.</p> <p>13 Q The cash management strategy, right?</p> <p>14 A Yeah.</p> <p>15 Q And you believed Donelson because he was</p> <p>16 a confident guy, right?</p> <p>17 A Right.</p> <p>18 (Whereupon CFTC Exhibit No. 300</p> <p>19 was marked for identification.)</p> <p>20 Q I'm going to show you what's been</p> <p>21 marked as CFTC Exhibit 300. This is an email</p> <p>22 from you to Jack Lattner from August 28, 2019.</p> <p>23 Do you know who Jack Lattner is?</p> <p>24 A Yeah.</p>
<p style="text-align: right;">Page 258</p> <p>1 it would have been disastrous for him?</p> <p>2 A Yeah.</p> <p>3 Q And he funded it after you told him</p> <p>4 that Long Leaf was experiencing great results,</p> <p>5 right?</p> <p>6 A I don't know when he did it exactly.</p> <p>7 Q Well, on August 8, 2019 he hadn't funded</p> <p>8 his account yet, right?</p> <p>9 A I don't think so.</p> <p>10 Q That was the purpose of your email, was</p> <p>11 to get him to fund his account, correct?</p> <p>12 A August of 2018? 2019?</p> <p>13 Q We'll go back to Exhibit 298 so you</p> <p>14 can read it. This is from you to Mr. Zimmerman,</p> <p>15 right? What's the date?</p> <p>16 A Right. August 2019.</p> <p>17 Q And what was the purpose of this email?</p> <p>18 A To touch -- I don't remember. Just to</p> <p>19 reach back out.</p> <p>20 Q It was to get him to fund his account,</p> <p>21 right?</p> <p>22 A Right.</p> <p>23 Q Right. And you told him that Long Leaf</p> <p>24 had been posting great results, right?</p>	<p style="text-align: right;">Page 260</p> <p>1 Q Who is Jack Lattner?</p> <p>2 A He was a client.</p> <p>3 Q He was your client, right?</p> <p>4 A Right.</p> <p>5 Q You solicited his account, correct?</p> <p>6 A Right.</p> <p>7 Q And you attach a document called a trading</p> <p>8 summary 8-23.pdf, right?</p> <p>9 A Right.</p> <p>10 Q And in the second sentence of your</p> <p>11 email you write, "Since you will be trading with</p> <p>12 \$100,000, I attached an updated performance report</p> <p>13 for one of our larger accounts," correct?</p> <p>14 A Yes, and this is what I was referring</p> <p>15 to earlier.</p> <p>16 Q Yeah. So we'll scroll down and take</p> <p>17 a look at it. So this is the performance update</p> <p>18 that you attached and you sent to a prospective</p> <p>19 client in August of 2019. What information is</p> <p>20 on here?</p> <p>21 A It's trades and wins and losses.</p> <p>22 Q Okay. And the dates of the trades are</p> <p>23 April 17, 2019 through August 21, 2019, is that</p> <p>24 correct?</p>

<p style="text-align: right;">Page 261</p> <p>1 A Yes.</p> <p>2 Q And this document reflects net gains</p> <p>3 of \$37,719. Is that the correct way to read it?</p> <p>4 A Yes.</p> <p>5 Q Which is, I'm going to just ballpark</p> <p>6 it here, about a 5 percent return on equity for the</p> <p>7 entire value of the account, correct?</p> <p>8 A Yeah.</p> <p>9 Q And that's over a four-month time period,</p> <p>10 right?</p> <p>11 A Yes.</p> <p>12 Q This wasn't your -- this statement</p> <p>13 does not -- strike that. This document does not</p> <p>14 reflect trading activity for one of your customers,</p> <p>15 right?</p> <p>16 A Right.</p> <p>17 Q And it doesn't reflect performance</p> <p>18 for January 2019 through the middle of April 2019,</p> <p>19 right?</p> <p>20 A Right.</p> <p>21 Q And you don't send any documents</p> <p>22 or performance information from any of your other</p> <p>23 clients, all of whom lost money, up to that point</p> <p>24 in 2019, right?</p>	<p style="text-align: right;">Page 263</p> <p>1 this to prospective customers?</p> <p>2 A I believe so.</p> <p>3 Q How did he know that? Like did you discuss</p> <p>4 it with him?</p> <p>5 A I don't remember, but it was not customers.</p> <p>6 It was just Jack.</p> <p>7 Q Um-hmm.</p> <p>8 A From what I remember.</p> <p>9 Q But Donelson made this document, Donelson</p> <p>10 gave you this document and Donelson authorized you</p> <p>11 to give this document out to prospective customers?</p> <p>12 A I think so. I can't remember exactly how</p> <p>13 it all happened.</p> <p>14 Q So I'm not necessarily asking, you know,</p> <p>15 how it happened. I'm just asking if those three</p> <p>16 things did happen.</p> <p>17 A I can't remember exactly.</p> <p>18 Q So who else would you have gotten it from</p> <p>19 if you didn't get it from Donelson?</p> <p>20 A I don't know.</p> <p>21 Q So it sounds like you don't have any</p> <p>22 reason to believe that you got this document from</p> <p>23 any source other than Jim Donelson?</p> <p>24 A Right.</p>
<p style="text-align: right;">Page 262</p> <p>1 A Right.</p> <p>2 Q Did Donelson create this document?</p> <p>3 A Yes.</p> <p>4 Q Did you take any steps to confirm</p> <p>5 whether or not this document contained accurate</p> <p>6 information?</p> <p>7 A Like I said, this is what I was</p> <p>8 referring to when I was talking about the client</p> <p>9 that was making money, and this is all the trades</p> <p>10 that he participated in.</p> <p>11 Q How did you get this document if it wasn't</p> <p>12 your client?</p> <p>13 A It was given to me.</p> <p>14 Q By whom?</p> <p>15 A I don't remember. I think it was Jim.</p> <p>16 Q So Jim gave you this document. And</p> <p>17 did he tell you to use this as indicative of Long</p> <p>18 Leaf's track record?</p> <p>19 A I don't remember.</p> <p>20 Q Why would he have given you this document?</p> <p>21 A Why would he have? Because it represented</p> <p>22 a larger account and Jack would be in the larger</p> <p>23 account.</p> <p>24 Q Did Donelson know that you were sending</p>	<p style="text-align: right;">Page 264</p> <p>1 Q And Donelson created this document, right?</p> <p>2 A I believe so.</p> <p>3 Q And earlier you said that Donelson</p> <p>4 authorized you to send this to Jack Lattner, right?</p> <p>5 A I can't remember exactly. Like I said,</p> <p>6 I think so.</p> <p>7 Q Did Donelson want the brokers to share</p> <p>8 track record information with prospective customers?</p> <p>9 A He allowed us to.</p> <p>10 Q What does that mean, that he allowed</p> <p>11 you to? He was aware of it and he didn't stop you?</p> <p>12 A Yeah.</p> <p>13 Q And the track record information</p> <p>14 that the brokers provided to prospects reflected</p> <p>15 positive trading returns, correct?</p> <p>16 A Right.</p> <p>17 MR. PLATT: Okay. Let's take five.</p> <p>18 I'm almost done. I might just have a couple</p> <p>19 more wrap-up questions.</p> <p>20 MR. FALVEY: Okay.</p> <p>21 MR. PLATT: Let's really just try to</p> <p>22 make it five, okay, because I don't want to</p> <p>23 go too long.</p> <p>24</p>

<p style="text-align: right;">Page 265</p> <p>1 (Whereupon a recess was taken from 2 4:35 p.m., to 4:45 p.m., after which 3 the following proceedings were had:) 4 MR. PLATT: Okay. I just have a couple 5 more questions. 6 Q You know, so before the break we 7 were discussing the provision of track record 8 information to prospective clients. Did you ever 9 tell prospective clients the date that Long Leaf 10 began providing trading recommendations in 11 connection with the trading program? 12 A I don't remember. 13 Q Don't remember doing it, right? 14 A I'm not really sure of the question. 15 Q So there was a date when Long Leaf 16 began providing trading recommendations, right? 17 I don't know what it is, but there was a first 18 trade, right? 19 A Sure, yeah. 20 Q Did you ever tell any client what that 21 date was? 22 A It would be self-explanatory on the 23 document, right? 24 Q What document?</p>	<p style="text-align: right;">Page 267</p> <p>1 Q And most recently we saw a set 2 of materials circulated to you in January of 2019, 3 right? 4 A A certain set of materials in January 5 of 2019? 6 Q We saw two exhibits where demo and custom 7 materials were sent to you -- 8 A Right. 9 Q -- in January 2019, right? 10 A Yes, yeah. 11 Q Did those materials contain any 12 information about Long Leaf's performance record? 13 A No. 14 Q To the extent Long Leaf brokers provided 15 track record information, Long Leaf brokers provided 16 positive track record information, correct? 17 A For the trade strategy that we were told 18 to show. 19 MR. PLATT: So that's all the questions 20 I have. Mr. Ruth, do you have any questions 21 for the witness? You're on mute I think, sir. 22 MR. RUTH: Yes, I do. 23 MR. PLATT: Mr. Ruth, do you have any 24 questions?</p>
<p style="text-align: right;">Page 266</p> <p>1 A The trading result document, right? 2 Q I mean like Long Leaf overall. 3 A I don't know. 4 MR. FALVEY: Like from the beginning. 5 A No then. 6 BY MR. PLATT: 7 Q Did you ever tell prospective clients 8 what Long Leaf's largest monthly drawdown was for 9 its trading program? 10 A I don't think so. I don't remember. 11 Q Do you know what the term peaks and valley 12 means? 13 A Yeah. 14 Q Did you ever provide information to 15 prospective customers concerning Long Leaf's largest 16 peak-to-valley drawdown? 17 A I don't think so. 18 Q Did you ever provide information 19 to prospective customers concerning actual annual 20 rates of return for Long Leaf's trading program? 21 A I can't remember. 22 Q So Long Leaf and Donelson provided you 23 with pitch materials, right, Mr. Stemper? 24 A Yeah.</p>	<p style="text-align: right;">Page 268</p> <p>1 MR. RUTH: I do. 2 MR. PLATT: Okay. Go for it. 3 CROSS-EXAMINATION 4 BY MR. RUTH: 5 Q Alex, first question I have for you, 6 how many steps were there in the sales solicitation 7 process from the period that you began working there 8 up until the rebrand happened? 9 A I would say it was three all the way 10 through. 11 Q Okay. Can you tell me what those three 12 steps are? 13 A To set the demo, to hold the demo and then 14 to hold the custom. 15 Q Okay. Have you ever been -- did you 16 ever participate or know of another step called the 17 account orientation? 18 A Yeah, that too. 19 Q Okay. Would it be fair to say 20 that there's four steps to the sales solicitation 21 process? 22 A Yeah. 23 Q Okay. At what -- 24 A The account orientation generally</p>

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1 happened after someone had already funded an
2 account, so would it be a solicitation?
3 Q I mean, I'm not here to answer any
4 questions for you. But my next question to you
5 is --
6 A So it'll be three steps. Sorry.
7 Q My next question to you is the first step
8 is called the demo set, is that correct?
9 A Right.
10 Q Okay. At what point did you start
11 doing demo sets at your career in -- at Long Leaf?
12 A It was probably a month after being there.
13 Q Okay. So is it fair to say that you
14 had like a 30-day training on how to do the demo
15 set?
16 A Something like that. I can't remember.
17 Q Okay. And then after the initial 30 days
18 of your employment with Long Leaf, how long were you
19 strictly just doing demo sets as a part of the sales
20 solicitation process?
21 A I don't remember.
22 Q Okay. Let me ask you this. At what
23 point did you start doing -- actually running your
24 own demos that you had set up?

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1 A Maybe a year. I don't remember.
2 Q Okay. During the demo did you actually
3 ask the client to open an account?
4 A Not that I can remember.
5 Q Okay. Out of the four sales processes
6 that we've identified, one being the demo set, two
7 being the demo, three being the custom, four being
8 the account orientation, what one of those steps of
9 the sales process do you actually ask the client
10 to open up an account?
11 A It would be the custom, if anything.
12 Q Okay. At what point did you start running
13 custom appointments?
14 A I don't remember exactly.
15 Q Did you ever run a custom appointment?
16 A Yeah.
17 Q Okay. Did you ever run a custom
18 appointment that resulted in opening an account?
19 A Yes.
20 Q How many custom appointments did
21 you run that it resulted in opening an account?
22 A I don't know.
23 Q How many accounts did you open on your
24 own?

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1 A I don't remember. And by on my own,
2 Jim helped with a lot.
3 Q Meaning he would run through the --
4 MR. FALVEY: You cut out, Jeremy.
5 MR. RUTH: Can you hear me now?
6 MR. FALVEY: You're back, yep.
7 MR. RUTH: My apologies.
8 Q Meaning he would run through the
9 custom appointment, and then at some point it wasn't
10 resulting in opening an account and you passed it
11 off to Jim to finish the process?
12 A Right.
13 Q Okay. Did that happen every time
14 or did you ever -- were you ever successful in
15 opening an account fully on your own without the
16 help of Jim?
17 A I don't remember. I think Jim always
18 spoke to the prospects prior to opening an account.
19 Q Okay. So is it fair to assume that
20 you've never opened up a client account at Long Leaf
21 Trading Group?
22 A Not on my own. I mean, it was always
23 a team effort.
24 Q Sure. For the last -- were you ever

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1 the last person to ask them for their business and
2 they actually opened up an account as a result of
3 your sales solicitation efforts?
4 A I can't remember if it was -- if I was
5 the last person to talk to them before they funded
6 an account.
7 Q Okay. Is it more likely than not that
8 Jim was the last person to talk to them?
9 A Probably.
10 Q Okay. At what point during your career
11 at Long Leaf were you privy to trade strategy,
12 development, design, meetings with those that were
13 designing trades that were being recommended to the
14 customers through the program?
15 A Never.
16 Q Okay. Let's see here. So it's safe to
17 assume that you never -- you never designed a trade
18 recommendation or made one at all?
19 A Right.
20 Q Okay. You testified that Jim Donelson
21 had a desire to morph --
22 MR. FALVEY: You cut out again, Jeremy.
23 MR. RUTH: Sorry, sorry.
24 MR. FALVEY: Okay.

<p style="text-align: right;">Page 273</p> <p>1 BY MR. RUTH:</p> <p>2 Q Yeah. So you had testified that at</p> <p>3 some point Jim Donelson expressed a desire to</p> <p>4 morph the Time Means Money program into a CTA.</p> <p>5 Do you recall testifying to that?</p> <p>6 A Yeah, that was -- yeah.</p> <p>7 Q At what point in your career were you</p> <p>8 privy to strategic operational conversations about</p> <p>9 Long Leaf Trading Group?</p> <p>10 A Never.</p> <p>11 Q Okay. So you stating that his desire</p> <p>12 to move into a CTA wasn't that he had told you that</p> <p>13 directly. That's just something you had heard from</p> <p>14 being around the office, is that --</p> <p>15 A Well, he told it -- no, he said it</p> <p>16 directly to everyone. But the way to go about it,</p> <p>17 I had no clue.</p> <p>18 Q Okay. So it was a one-way conversation</p> <p>19 between him and you or him --</p> <p>20 A Yeah.</p> <p>21 Q -- to the room?</p> <p>22 A Yeah, yeah.</p> <p>23 MR. RUTH: Jody, can you pull up the --</p> <p>24 I don't know. I guess let's go -- I think it</p>	<p style="text-align: right;">Page 275</p> <p>1 is that represented in?</p> <p>2 A I -- what unit of measure? Dollars.</p> <p>3 Q Okay. And how is the entry calculated?</p> <p>4 A The cost of the trade.</p> <p>5 Q What do you mean by the cost of the trade?</p> <p>6 A How much the trade cost to enter,</p> <p>7 I believe.</p> <p>8 Q Okay. So let's take an example. I guess</p> <p>9 we'll use trade alpha. You're saying that it cost</p> <p>10 \$15,876.84 to enter into the trade?</p> <p>11 A I think that was the capital requirement,</p> <p>12 but I can't remember.</p> <p>13 Q When you say capital requirement, what</p> <p>14 do you mean by that?</p> <p>15 A It's the cost of the trade.</p> <p>16 Q Okay. Is it possible that that could</p> <p>17 be the premium paid in order to enter into the</p> <p>18 option contract?</p> <p>19 A Potentially.</p> <p>20 Q Okay. What other factors are</p> <p>21 represented in that figure in addition to either</p> <p>22 premium collection or premium paid?</p> <p>23 A I don't remember.</p> <p>24 Q Okay. And then my next question to</p>
<p style="text-align: right;">Page 274</p> <p>1 might have been like PDF 42. I don't know</p> <p>2 the exhibit number, but it's the one that we've</p> <p>3 been talking about the last 20 minutes about</p> <p>4 I guess maybe like a \$600,000 account that had</p> <p>5 a \$37,000 return.</p> <p>6 MR. PLATT: Sure. There's no 42, but let</p> <p>7 me pull up what I think you're talking about.</p> <p>8 One second.</p> <p>9 MR. RUTH: Okay.</p> <p>10 MR. PLATT: Let me know if you think</p> <p>11 this is correct. Can you see that, guys?</p> <p>12 MR. FALVEY: Yep.</p> <p>13 MR. PLATT: There's an attachment too,</p> <p>14 Mr. Ruth.</p> <p>15 MR. RUTH: Can you show me the actual</p> <p>16 PDF? Yeah.</p> <p>17 MR. PLATT: So this is the attachment to</p> <p>18 the email. Is that what you're talking about?</p> <p>19 MR. RUTH: Yep, yeah.</p> <p>20 Q All right. So under -- in this table,</p> <p>21 Alex, under I think the column says entry, there's</p> <p>22 a figure.</p> <p>23 A Yeah.</p> <p>24 Q Yeah. That figure, what unit of measure</p>	<p style="text-align: right;">Page 276</p> <p>1 you is exit, what is that figure? Is that -- what</p> <p>2 unit of measure --</p> <p>3 A Premiums collected, I guess.</p> <p>4 Q Okay. So is the alpha trade, is that</p> <p>5 a short options or long options strategy?</p> <p>6 A Short I think, but I can't remember.</p> <p>7 You're muted.</p> <p>8 MR. FALVEY: Jeremy, you cut out. I don't</p> <p>9 think that's us.</p> <p>10 MR. PLATT: No, it's Mr. Ruth I think.</p> <p>11 THE REPORTER: Yeah, I'm still here.</p> <p>12 Can he hear us?</p> <p>13 MR. PLATT: Jeremy, can you hear us?</p> <p>14 (Discussion off the record.)</p> <p>15 MR. RUTH: All right. Can you guys</p> <p>16 hear me?</p> <p>17 MR. PLATT: Yes.</p> <p>18 MR. FALVEY: Yeah.</p> <p>19 MR. RUTH: All right. Is it okay if</p> <p>20 I just pick it up from where I think I got</p> <p>21 cut off or do we need to read it back or --</p> <p>22 THE REPORTER: Whatever you need.</p> <p>23 MR. RUTH: I don't know how to proceed</p> <p>24 there, Jody.</p>

<p style="text-align: right;">Page 277</p> <p>1 MR. PLATT: It's your examination, 2 Mr. Ruth, so you can pick up wherever you'd 3 like. 4 MR. RUTH: All right. I'm just going 5 to restate the whole entire question. Can 6 you bring up -- that PDF document back up? 7 Q Okay. So, Jody, is it safe to assume 8 that you -- and like I said before, I don't want 9 you to think I'm insulting you here -- but you just, 10 you know, didn't have the expertise at the time, or 11 even now, to calculate what the entry figure 12 represents? 13 A You mean me? 14 Q Yes. 15 A You said Jody but -- 16 Q Oh, I'm sorry. My apologies, Alex. 17 A Do I have the knowledge to understand what 18 the cost entailed, is that your question? 19 Q No. Do you have the expertise or the 20 knowledge to be able to calculate what the figure 21 is represented in the entry column as well as the 22 exit column? 23 A I can't remember how. I don't know if 24 I ever even did.</p>	<p style="text-align: right;">Page 279</p> <p>1 director of, I don't know, trading or whatever 2 you want to call it. 3 MR. PLATT: Look, Mr. Ruth, I apologize. 4 We've looked at a lot of documents that resemble 5 that. Do you want to just ask him the question? 6 I don't know if we have time to just sit here 7 and click through docs. Like these are the 8 CFTC's exhibits. I'm happy to do you a courtesy 9 if you can just tell me what exhibit it is. 10 MR. RUTH: Yeah, just bring up PDF 33 11 through 40. 12 MR. PLATT: Yeah. Why don't you tell me 13 which one you want, Mr. Ruth. 14 MR. RUTH: I want the one that has 15 the email that I'm pretty sure -- I mean, 16 maybe Mary can help us. Do you time stamp 17 these documents? 18 MR. PLATT: Yeah, I don't think that's 19 her job. It's really your job as the party 20 to come prepared to ask questions, Mr. Ruth. 21 MR. RUTH: All right. Bring up PDF 33, 22 34, 35, 36, 37, 38, 39. We're going to talk 23 about them all. 24 MR. PLATT: Here's 34. You know,</p>
<p style="text-align: right;">Page 278</p> <p>1 Q Okay. So could we assume that you 2 don't have the ability to verify whether or not 3 this information that was given to you is accurate 4 since you didn't know how to calculate the actual 5 figures in the document? 6 A Yeah, I guess. 7 Q Okay. Beautiful. 8 MR. RUTH: Jody, can you bring -- 9 again, I don't know the exhibit numbers, but 10 the one email that we were talking about around 11 2:36 p.m. today in regards to -- it's when I 12 objected when you were putting words in his 13 mouth about the options, you know. It talked 14 about how Donelson -- you know, a little bio 15 on his past history. 16 MR. PLATT: I'm sorry. I don't know 17 what document you're talking about, Mr. Ruth. 18 MR. RUTH: It would be in -- let's go 19 with like PDF 32 I think it is. No, it's 20 an email from Alex to a customer that he's 21 soliciting. The last paragraph talks about 22 a profile. It's probably about four or five 23 paragraphs and it's after -- I think it's 24 reasonably after Jim Donelson took over as</p>	<p style="text-align: right;">Page 280</p> <p>1 there is a seven-hour time limitation on the 2 deposition. I'm not sure how long we've been 3 going. 4 THE WITNESS: Eight hours. 5 MR. FALVEY: Minus lunch. 6 THE WITNESS: I didn't even have lunch. 7 MR. FALVEY: So we're getting close. 8 MR. PLATT: Can you see 34, Mr. Ruth? 9 Can you see 34? 10 MR. RUTH: Yep. 11 MR. PLATT: Okay. 12 MR. RUTH: Let's bring up 35. 13 MR. PLATT: Yeah. Why don't you just 14 start asking questions and I'll bring them up 15 as we go. Is this the document you wanted? 16 MR. RUTH: No, it's 36. 17 MR. PLATT: Is it 35? Is this the document 18 you wanted? 19 MR. RUTH: No. 20 MR. PLATT: I'm going to try 36 now. 21 Is this the document you wanted? 22 MR. RUTH: Yeah, that'll work. 23 MR. PLATT: Okay, great. 24</p>

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1 BY MR. RUTH:

2 Q All right. So, Alex, this email,
3 did you physically type this email on your own
4 or was this given to you and you perhaps copy and
5 pasted it into an email and sent it?

6 A Yeah, that's right.

7 Q Just to clarify, you did copy and paste
8 it in?

9 A Yeah, it's -- I mean, you could tell some
10 of the stuff is from the script.

11 Q What script?

12 A I think it's from the demo.

13 Q Okay. So from the new Donelson script
14 after the rebrand?

15 A Yeah.

16 Q Okay. So -- all right. So your
17 testimony is that you copy and pasted this
18 into an email and sent it. All right. Were you
19 ever allowed to email customers from a solicitation
20 standpoint without preapproved, you know, from
21 Donelson?

22 A I don't really remember if I did.

23 Q I guess from a company policy standpoint,
24 did you have to get permission from Donelson in

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1 order to do things outside of the set sales
2 solicitation process?

3 A I don't think so.

4 Q Okay. I think you've testified today
5 that throughout your career at Long Leaf Trading
6 there's been multiple people that are in charge
7 of making tricky decisions as to what is going
8 to be recommended to the clients. I think in the
9 beginning of your career you testified that it was
10 Tim Evans, followed by Scott Gecas, followed by a
11 combination of Scott Gecas and Donelson and then
12 finally with Donelson, is that correct?

13 A Yeah.

14 Q Okay. Would you say that the trade
15 strategy for the Time Means Money program as well as
16 whatever trading program you had after the rebrand,
17 whatever you called it, that the trade strategy was
18 constantly evolving?

19 A I guess that would be one way to put
20 it. But it was more so Jim stepping away from
21 what Scott -- or not Scott, Jim and Scott -- or,
22 yeah, Jim and Scott were stepping away from what
23 Tim was doing and their strategy, yeah, I guess it
24 varied.

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1 Q So Tim's strategy was different from
2 Scott Gecas' strategy, which was different from
3 Scott Gecas' and Jim's strategy, which was different
4 from Jim's strategy, is that correct?

5 A Yeah.

6 Q Okay. So could we say that the trading
7 strategy evolved over the time period that you were
8 at Long Leaf Trading Group?

9 A Yeah.

10 Q Okay. And were you ever privy to
11 under -- I guess conversations as to what resources
12 or what went into developing a strategy for any of
13 those time periods or those --

14 A Not that I remember.

15 Q Okay. During the period of February --
16 sorry, January of 2019 and through the end of April
17 2019, how many trades were you recommending to
18 customer accounts on an annual -- on a monthly
19 basis?

20 A Sorry. What was the time frame again?

21 Q January 2019 to -- through the end of April
22 2019.

23 A I think it was still around four.

24 Q Okay. Out of -- obviously, you know,

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1 through testimony it's been established that,
2 you know, there's been customer losses during
3 that time period. However, my question to you is
4 is that are you -- were you aware in each of those
5 individual funds if there was winning trades out of
6 those four trades?

7 A Was I aware if there were winners and
8 losers of like individual trades?

9 Q Yes. Was there any individual winning
10 trades during that time period?

11 A Yeah, of course. I think so.

12 Q Okay. So you had testified that from
13 an emotional standpoint you were optimistic about
14 the trading in the future. Did that optimism derive
15 from seeing that there are actual winning trades?

16 A Yeah.

17 Q All right. Beautiful.

18 MR. RUTH: All right. Well, that's
19 all I've got. I'm going to save the rest for
20 open court so I can embarrass Jody there. But
21 I appreciate your time, Alex, and sticking with
22 quite the commitment you had to make. Actually,
23 you know, one last question.

24 Q At what point would you say -- at what

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1 point would you say that Donelson was your
 2 supervisor?
 3 A January 2018.
 4 Q Okay. And --
 5 A Or -- January or February.
 6 Q Okay. Going back to the scripts, were you
 7 ever given a binder full of scripts?
 8 A A binder. I don't remember.
 9 Q Okay. So the script, was it given
 10 to you like loose paper with a staple? Was it put
 11 into a binder?
 12 A Yeah. Like there could be the binder
 13 of the demo set, the demo and the custom together.
 14 Q Okay. So when you were a commodity
 15 associate -- I understand later in your career
 16 you got an upgrade. You probably deserved it. But
 17 the period where you were just a commodity associate
 18 doing a demo set, were you given the demo set, the
 19 demo and the custom all at once or was it not until
 20 later in your career that you were given the custom
 21 script or the demo script?
 22 A It was later. It was later.
 23 Q Okay. So you didn't walk in on day one and
 24 get all three scripts right away?

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1 A No.
 2 Q Okay. And you never -- you never
 3 reviewed any other scripts until later into your
 4 career, correct?
 5 A Right.
 6 Q Do you know if Donelson was aware in
 7 January of 2018 that there was a demo set script,
 8 a demo script and a custom script?
 9 A I don't -- I wouldn't know.
 10 Q Okay. Were you aware that there was three
 11 scripts in January 2018?
 12 A Yeah, I can't remember. I think so.
 13 Q Okay. And -- oh, yeah. You also
 14 testified that Brian Adams was the chief compliance
 15 officer for the company. How did you know that he
 16 was the chief compliance officer of the company?
 17 A It's what I was told.
 18 Q By who?
 19 A Jim and Brian.
 20 Q Brian told you directly that he was the
 21 chief compliance officer of the company?
 22 A I can't remember if he said it to
 23 me directly or not. I just -- that's just what
 24 I remember, him being compliance the second time

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1 he was hired.
 2 Q Okay. The second time that Brian
 3 Adams was hired did he ever send you an email?
 4 A I'm sure he did. I don't know.
 5 Q Okay. During that time period did
 6 any of his emails say that he -- his title was the
 7 chief compliance officer?
 8 A I don't remember.
 9 Q Okay.
 10 MR. PLATT: So, Mr. Ruth, I just
 11 want to put an objection on the record from
 12 the CFTC. None of this questioning is relevant
 13 to the claims against you or your defenses, so
 14 I just want to put that on the record. You can
 15 continue but, you know, please be mindful of the
 16 witness' time.
 17 MR. RUTH: Okay. Your objection is noted.
 18 It's not valid but noted.
 19 Q All right. So my question to you,
 20 Alex, is the -- my question to you is as -- while
 21 you were a commodity associate, if you were to
 22 receive a complaint who would you refer that
 23 complaint to from a customer?
 24 A Jim.

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1 Q Okay. Why didn't you give it to the
 2 chief compliance officer?
 3 A I don't know if I had complaints to
 4 give to Brian while he was there. He might have
 5 only been there for a month or two the second time.
 6 MR. RUTH: Okay. All right. That's all
 7 I've got.
 8 MR. PLATT: Okay, great. So, Mr. Falvey,
 9 do you have any questions for your client?
 10 MR. FALVEY: I do not. Thank you, though.
 11 MR. PLATT: The CFTC has no further
 12 questions. Thank you, Mr. Stemper, for your
 13 time and patience.
 14 THE WITNESS: Have a good one.
 15 MR. FALVEY: Thank you.
 16 MR. PLATT: Take care.
 17 MR. FALVEY: Good night.
 18 (WITNESS EXCUSED)
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1 STATE OF ILLINOIS)
) SS:
 2 COUNTY OF C O O K)
 3
 4 I, MARY MASLOWSKI, a Notary Public within
 5 and for the County of Cook, State of Illinois, and a
 6 Certified Shorthand Reporter of said state, do
 7 hereby certify:
 8 That previous to the commencement of the
 9 examination of the witness, the witness was duly
 10 sworn to testify the whole truth concerning the
 11 matters herein;
 12 That the foregoing deposition transcript
 13 of ALEXANDER STEMPEL was reported stenographically
 14 by me on February 11, 2021, was thereafter
 15 transcribed under my personal direction and
 16 constitutes a true record of the testimony given and
 17 the proceedings had;
 18 That the said deposition was taken
 19 remotely before me at the time and place specified;
 20 That the signature of the witness
 21 was waived by agreement and that the deposition
 22 terminated at 5:15 p.m.;
 23 That I am not a relative or employee or
 24 attorney or counsel, nor a relative or employee of

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1 such attorney or counsel for any of the parties
 2 hereto, nor interested directly or indirectly in the
 3 outcome of this action.
 4 IN WITNESS WHEREOF, I do hereunto set my
 5 hand and affix my seal of office this 19th day of
 6 February, 2021, at Chicago, Illinois.
 7
 8
 9
 10 Mary Maslowski, CSR, RPR
 Notary Public
 11 79 West Monroe, Suite 1001
 Chicago, Illinois 60603
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